EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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EC and 1992
Storm cloud over social charter
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World News

Soviet PM announces government reform plan

Nikolai Ryzhkov, Soviet prime minister, announced sweeping changes in the Soviet government, including a big reduction in ministries, on the eve of President Gorbachev's four-day visit to Bonn, where he is expected to propose increased East-West ties. Page 20

US sanctions bid
James Baker, US Secretary of State, has begun discussions with Congress on a compromise over splits about sanctions against South Africa. Page 3

Uzbekistan unrest
Unrest in the Soviet Central Asian republic of Uzbekistan has been brought under control, but at least 100 people have died in clashes between Uzbeks and Meskhetians. Page 2

Iran mourners die
Two Iranians died and thousands fainted during emotional scenes among more than a million mourners at the grave of Ayatollah Khomeini near Tehran a week after his death.

Arabs released
Israel released more than half a million Arabs from a week-long confinement in their Gaza Strip homes. Page 3

Saharan peace move
Guerrillas fighting Morocco for the independence of Western Sahara announced fresh peace talks and said they would free 200 prisoners as a goodwill gesture.

Vietnamese in HK
Vietnamese boat people refugees will this week become Hong Kong's largest non-Chinese ethnic group, replacing Filipinos. Page 4

MiG bird strike
A bird could have caused the crash of a Soviet MiG-29 fighter aircraft at the Paris air show, an aviation expert said.

Chinese defections
Two officials at the Chinese consulate in San Francisco are seeking political asylum in the US. Page 4

Buses in death race
Two minibuses carrying wedding guests collided at Eskisehir, central Turkey, as they raced each other on a highway, the Anatolia news agency said. Twenty people were killed and 33 injured.

Turkish tent city
Turkey, striving to cope with a wave of ethnic Turks expelled from Bulgaria, has set up a tent city to house 10,000 deportees.

Jaruzelski in UK
Polish leader General Wojciech Jaruzelski said talks with UK Prime Minister Margaret Thatcher marked a big step in Poland's efforts to strengthen ties with the West. Page 2

Contra attack
Nicaragua's main hydroelectric power station in Jinotega province, was attacked by US-backed contras. Page 3

Saving the Rose
Stage and screen stars Dame Peggy Ashcroft, Dame Judi Dench, Glenda Jackson, Steve Martin, Sting and Derek Jacobi joined forces to prevent developers building over the site of Shakespeare's Rose theatre in south London. Page 10

Irish poll apathy
Irish opinion polls suggest three out of four voters are unwilling to go to the polls in this week's general election. Page 6

US medical aid
A squad of US burn specialists flew into the Urals to treat victims of the gas explosion that engulfed two Soviet passenger trains a week ago, killing 400 people.

Chang beats Edberg
Michael Chang, 17, of the US, became the youngest French open tennis champion after beating Swede Stefan Edberg.

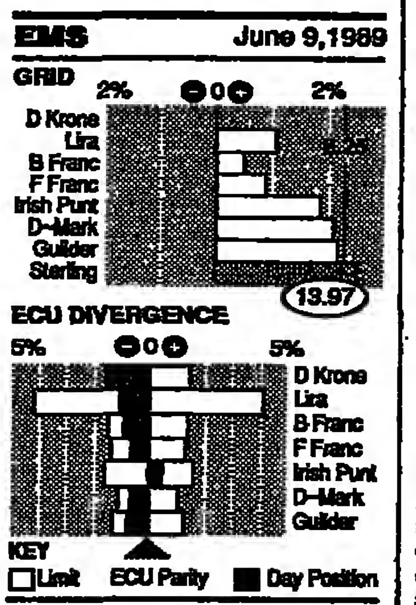
Business Summary

France signs $2.7bn arms deal with Saudi Arabia

France has signed a new arms co-operation agreement with Saudi Arabia worth an estimated $2.7bn to supply frigates and missiles manufactured by the Matra defence group. Page 20

EUROPEAN Monetary System: Bank of France acted to push interest rates firmer last week as a means of supporting the franc, which lost ground in the face of slowly rising interest rates elsewhere, notably in West Germany. The D-Mark was fairly subdued in the face of a stronger dollar.

Elsewhere, there was little reaction to calls for Italy to change its 6 per cent band allowance to 2¼ per cent, or to news that Spain is to join the exchange rate mechanism.



The chart shows the two constraints on European Monetary System rates. The upper grid, based on the weakest currency (except the lira), may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU), a basket of European currencies.

URENCO, Anglo-German-Dutch uranium enrichment consortium, is providing advanced nuclear technology for a $750m enrichment factory in the US. Page 20

EUROPEAN Community has agreed to bring Spanish pesetas and Portuguese escudos into the European Currency Unit (Ecu). Page 3.

SHORT Brothers, Belfast aerospace company, announced it had won an order worth more than $78m from Rolls-Royce. Page 10

HESTAIR, UK personnel services group, is extending its US nursing operations by purchasing Nurses Inc for $9.5m. Page 22

APPLE, US computer company, is to launch new communications products linking personal computers to mainframe networks. Page 25

MAGNET, UK kitchen furniture company, looks set to be sold to a management buy-out team in a deal worth $981m. Page 8

HONG KONG recorded a trade deficit of $302m in April. Page 4

SWISS Bank Corporation is to concentrate its D-Mark and Dutch guilder bond trading operations in Frankfurt and Amsterdam. Page 25

TURKEY will soon have a joint merchant bank created by Banque Indosuez, Société Générale de Belgique and Générale de Banque and Amro Bank. Page 25

NEW ZEALAND Government is pumping $115m into state-controlled Bank of New Zealand to reassure international markets after a disastrous annual loss. Page 25

COATS Viyella, UK textile group bidding for Tootal, is acquiring Opti, West German zip-fastener manufacturer. Page 22

PIRELLI Tyre Holding, Netherlands-registered company, is issuing $m shares in a global offer. Page 25

KOHLBERG Kravis Roberts, US leveraged buy-out specialist, and Great Atlantic & Pacific Tea Company (A&P), US food retailer, are considering a bid for Gateway, UK food retailer. Page 22

INDUSTRIAL Bank of Japan is moving its London office to Bracken House, the former FT headquarters sold for $223m. Page 7

US corporate raider Paul Bilzerian was found guilty of nine charges of securities law violations, the first case prosecutors have won in a three-year investigation of Wall Street crime.

China's polished campaign of distortion

By **Robert Thomson** in Peking

THE COVER-UP in China began before the carnage was complete. When tanks were massing at the top end of Peking's Tiananmen Square a week ago, a military camera crew shot film of soldiers against a background of the Forbidden City, of officers in neatly pressed uniforms and of tank drivers as they revved engines for the final scene in the crushing of the pro-democracy protests.

That footage has been among the many hours of often repeated film on Chinese television that has portrayed the People's Liberation Army – "the Great Wall of Iron" – as the victims in the clashes. The democracy movement has been characterised as led by an unruly band of ruffians, who, inexplicably, inspired more than a million people to take to the capital's streets during the peak of the protests.

The campaign of distortion is far more sophisticated than the crude propaganda of the Cultural Revolution, which, two decades ago, did not have the benefit of polished film editing, the slow but selective camera pan and the sympathetic close-ups of wounded soldiers that have confused the popular perception of what happened a week ago.

Last night's national television news, normally a 30-minute wrap-up of local and international events, was a two-hour celluloid diatribe against the pro-democracy movement and in praise of the PLA. There was the scene of a cabbage farmer bringing a truckload of produce to soldiers in Peking and refusing to take payment; and there was a "model" textile worker who thought the army had gone easy on the "violent" protesters.

Arrested youths were paraded on the screen, which is watched by about 400m Chinese daily, according to China Central Television. Most of the youths had clearly been beaten during police questioning. Their faces were puffy, their heads were forced down by police and military guards, and their hands shook as they signed confessions describing themselves as "counter-revolutionaries."

General Yang Shangkun, China's President, now has final responsiblity for programmes on the democracy movement and the crackdown, and his sympathy for the actions of the army is obvious. General Yang is believed to have argued hard for the use of military force and a relative of his led the troops blamed for most of the killings last weekend.

Continued on Page 20

Peking steps up crackdown on protesters

By **Robert Thomson** in Peking, **Steven Butler** in Shanghai and **Peter Riddell** in Washington

THE CHINESE Government stepped up its crackdown on protesters yesterday, adding to the growing conflict between Peking and Washington.

Arrests of alleged "counter-revolutionaries" continued throughout China as the military officers in control of Peking promised they would have a "final, thorough victory" over the pro-democracy movement. Chinese police issued a warrant for the arrest of two leading dissidents sheltering in the US Embassy in Peking. Professor Fang Lizhi and his wife Li Shuxian were charged with "committing crimes of counter-revolutionary propaganda and instigation" before and during the student protests.

Professor Fang's ideas on democracy as a basic right of all people, and not a gift that the party can give or take away, have influenced many students.

The State Department in Washington responded cautiously to the charges, saying the US would not normally hand over dissidents in danger of being killed. But President George Bush is already facing Congressional demands to take a a much stronger line against the Chinese Government, and this will intensify the pressure.

Chinese officials again condemned the US for giving Professor Fang refuge, and attacked the Voice of America radio for "distorted" reports that allegedly incited unrest.

Relations between the US and China are deteriorating rapidly, and will be further affected by the very public defection of two Chinese diplomats in the US. Chinese leaders, including Li Peng, the Prime Minister, have already accused the US of being the "black hands" behind the pro-democracy movement.

In China, about 600 people were detained until Saturday and hundreds more were rounded up yesterday, most of them alleged to be "ruffians" pretending to be students or former criminals who had incited others to protest. Chinese television last night showed youths, many badly beaten, signing confessions at gunpoint and expressing regret for having opposed the party and the People's Liberation Army, which swept into Peking a week ago to crush the demonstrations.

Thousands of Chinese intellectuals fear they will be the next victims of the purge, and some have established a support network.

A road alongside Tiananmen Square was open to cars yesterday for the first time since the bloody clashes of a week ago. Most of the hundreds of tanks and armoured personnel carriers sent to Peking have returned to bases, but barbed wire surrounds the square, which remains heavily guarded by troops.

Soldiers were stationed on strategic corners throughout the city, and patrols fanned out into most suburbs. Pedestrians were searched at random, with troops confiscating books and other materials thought to be evidence of opposition to the Communist party.

In Shanghai, the provincial government took a tough line against the independent students' union at the weekend, reversing what appeared to be a more tolerant attitude expressed last week.

The union was declared illegal and the Government told it to disband. It accused students of engaging in "counter-revolutionary" activities, including staging demonstrations and disrupting traffic, and of attempting to incite workers to strike. Leaders were required to report to public security offices for "registration."

A Hong Kong resident, alleged to be a leader of the union, was detained at Shanghai airport. British officials sought clarification of the arrest of Yao Yongzhan, who was detained as he was about to board a flight for the British colony. Shanghai radio said he was accompanied to the airport by British consular staff.

The move against students came after the arrest of more than 130 people in China's largest city and follows a sit-in on Saturday at the Shanghai Public Security Bureau in protest at the arrest of nine labour activists.

Diplomats in Peking are now awaiting a party meeting that will formally remove the party chief, Zhao Ziyang, and, most probably, Hu Qili, a member of the elite politburo standing committee, who apparently supported Zhao in his tolerance of the student protests and in his efforts to assert his authority as party chief.

Pressure on Bush, Mood in Hong Kong, Page 4

Police keep a close watch on a student protest in front of police headquarters in Shanghai calling for the release of nine workers arrested last week

Bush to issue call for cuts in toxic emissions

By **Peter Riddell**, US Editor, in Washington

PRESIDENT George Bush will today unveil wide-ranging proposals to reduce sulphur dioxide emissions in the US and cut ozone in the atmosphere.

Among the main points expected are an attempt to cut acid rain by calling for power utilities to reduce their sulphur dioxide emissions by 10m tons from the present 20m tons in two stages by the year 2000.

Mr Bush will also propose requirements for the use of substitutes for petrol, including methanol and ethanol, to reduce smog in big cities. Industry will be required to introduce control technology to limit emissions of cancer-causing and other toxic chemicals.

There have been sharp divisions within the US Administration about the extent to which there should be mandatory pollution cutbacks rather than reliance on a free-market system of incentives to industry.

Mr Bush is believed to have plumped for the market-based approach, which may lead him into conflict with the Democrat-controlled Congress, which is expected to regard his plan as a minimum compared with a number of more stringent anti-pollution controls already proposed.

Mr Bush consulted widely with interested groups before reaching decisions over the weekend. He will make his announcement, in the form of planned revisions to the 1970 Clean Air Act, today in Washington. He will then fly to Jackson Hole in Wyoming, on the edge of the Grand Tetons National Park, one of the most beautiful and environmentally valuable areas of the US.

The European Community has already taken action to reduce the environmental damage caused by acid rain. Last June, EC countries agreed to cut emissions of sulphur dioxide by 60 per cent from 1980 levels in three stages by 2003, and to reduce emissions of nitrogen oxides by 30 per cent in two stages by 1998.

The main dispute within the US Administration has been over controlling hydrocarbon emissions producing high ozone levels.

While there is broad agreement on relatively inexpensive controls on factories and cars to achieve a 40 per cent reduction in hydrocarbons by 2005, this would still leave excessive ozone levels in many cities.

Top Mediobanca figure to be tried on alleged falsification

By **Alan Friedman** in Milan

MR ENRICO CUCCIA, the 81-year-old honorary chairman of Mediobanca, Italy's leading merchant bank, is to stand trial for allegedly having falsified the bank's balance sheets.

Indicted along with Mr Cuccia are Mr Vincenzo Maranghi, managing director of Mediobanca, two internal auditors and the bank's cashier.

The indictment of Mr Cuccia, who is often described by the Italian press as "the puppet-master of Italian finance" and who has created a web of industrial cross-holdings, comes after years of investigation by Milan magistrates.

The indictment accuses the banker of having operated and hidden a L24bn ($17m) slush fund that was used between 1978 and 1980 to pay unauthorised bonuses to Mediobanca executives and to favour some of the bank's clients with subsidised interest rates.

Mediobanca has in the past shrugged off these accusations as nothing more than an "accounting problem." The bank could not be reached for comment yesterday.

The alleged slush fund is said to have been discovered by the *Guardia di Finanza*, Italy's fiscal police after an anonymous tip-off. In February the Milan public prosecutor recommended the criminal indictment of Mr Cuccia and eight other Mediobanca officials. However, Mr Gherardo Colombo, the Milan magistrate known in Italy for having investigated both the Banco Ambrosiano scandal and the affairs of the late Michele Sindona, the convicted financial swindler, decided to indict only Mr Cuccia and his close associates at the time of the alleged falsification of balance sheets.

Four other Mediobanca executives and board members, including Mr Francesco Cingano, the current chairman, and Mr Lucio Rondelli, managing director of Credito Italiano, the state-owned commercial bank, have been cleared of any wrongdoing despite the request from the public prosecutor that they be indicted.

Mr Cuccia, who has served as a close adviser to leading Italian industrialists such as Mr Gianni Agnelli, Mr Leopoldo Pirelli and Mr Raul Gardini, has been investigated in the past on other matters, but never before prosecuted. In 1985 he was investigated for alleged involvement in a 1970s embezzlement scheme that concerned the IRI state holding group, but was cleared of wrongdoing.

Mr Cuccia has wielded wide influence in the Italian financial world during most of the post-war era. By creating an interlocking series of shareholding alliances among top Italian companies, he made Mediobanca the linch-pin of Italian finance.

Among numerous Cuccia-orchestrated deals was the 1970 merger between Pirelli and Dunlop, the 1965 creation of the Montedison chemicals concern and the 1976 deal that saw Libya become a Fiat shareholder.

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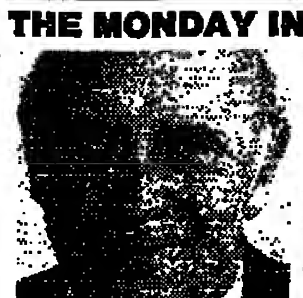
THE MONDAY INTERVIEW



South Africa's future President, F. W. de Klerk, could be the man who guides his country into a post-apartheid future. "Our goal", he says, "is a South Africa free of oppression and domination." Page 36

OVERSEAS NEWS

Tiptoeing around the division of Germany

Gorbachev and Kohl will tread carefully during the former's visit, writes David Marsh

MR MIKHAIL GORBACHEV will share at least two key objectives with Mr Helmut Kohl, the West German Chancellor, during the Soviet President's four-day visit to the Federal Republic starting today.

First, neither leader will want to do or say anything which could suggest that Moscow is trying to prise away the Federal Republic from Nato and the Western community.

In view of the highly delicate position of East Germany, trying to stave off pressure on all sides for political reform which could undermine East Berlin's Marxist state order, Mr Gorbachev is in no mood to tackle the four-decade-old conundrum of the division of Germany.

Second, both men will want to assure each other and public opinion that they want further speedy European disarmament.

Mr Kohl must convince his restless electorate that he can help lower nuclear and conventional weaponry concentrated on and aimed at East and West Germany. Mr Gorbachev needs, for pressing economic reasons, to reduce the 14-17 per cent of Soviet output estimated devoted to defence expenditure.

Both Mr Kohl and President Richard von Weizsaecker, who in formal terms is Mr Gorbachev's host, have often repeated lately that the Federal Republic will not detach itself from the Western community.

Mr von Weizsaecker said in the US last week that there would be no second Rapallo – a reference to the political, economic and military co-operation sealed in 1922 between Germany and the Soviet Union.

Mr Kohl told Mr Gorbachev in Moscow last October that the Federal Republic was not "a wanderer between the worlds," a phrase he also used to President George Bush last month.

Both West German leaders have been forced into providing such reassurance because of distrust in the West about the country's ultimate goals and options.

Such suspicions have been inflamed – above all in the US – by the affair at the beginning of 1989 over West German industrial deliveries to a Libyan poison gas factory, and then over the row within Nato about short-range nuclear weapons.

The seeds of the discord lie in Bonn's new political assertiveness, reflecting West Germany's economic power and natural differences between its interests and those of its Nato partners at a time of East-West change.

Gorbachev (right) greets Kohl in Moscow at the end of last year. Now it's Kohl's turn to play host in Bonn

West Germany now believes that it is called on to play a much stronger political role in East-West affairs – but it still does not know exactly what it should be.

Both Mr Hans-Dietrich Genscher, the Foreign Minister, and Mr Horst Teltschik, the Chancellor's security adviser, have been reciting proudly in the last fortnight Mr Bush's remark in his end-May speech in Mainz that the US and the Federal Republic were now "partners in leadership".

The problem for West Germany, and for the West as a whole, is that the disarmament process, started with the Intermediate Nuclear Forces Treaty in 1987, inevitably brings to the surface the Federal Republic's old ambivalence about its place at the centre of Europe.

The Nato short-range missiles quarrel was patched up in Brussels last month. But, since then, both Mr Genscher and, in a more restrained way, Mr Kohl, have made no secret of their long-term desire to see all nuclear weapons disappear from continental Europe, in view of the particular threat they pose for Germany and "German interests". The so-called "third zero" is, however, hotly opposed by the US, Britain and France.

Especially if the Vienna conventional disarmament talks run into delay, the Nato dispute over short-range missiles – and, with it, the fundamental validity of nuclear deterrence – could soon re-emerge.

Whereas Mr Genscher talks persuasively of taking Mr Gorbachev at his word, the British and Americans are reminding the Germans to take nothing for granted. Mr Gorbachev's visit may give an indication of whether these two positions can be reconciled – at least for a few more months.

Common European home theme strikes different chords

By Quentin Peel in Moscow

PRESIDENT Mikhail Gorbachev must be flying to West Germany today looking forward to some real relief. After two weeks of unprecedented public buffeting and political manoeuvering in the new Congress of People's Deputies and great uncertainty over what to do about the resounding electoral defeat of his Communist party comrades in Poland, a trip to Bonn must seem positively relaxing.

After all, it is in West Germany, of all the Nato allies, where Mr Gorbachev's disarmament initiatives have found the warmest response. Bonn, like Moscow, wants to negotiate on short-range nuclear missiles soon.

It is also in West Germany that Mr Gorbachev's call for a "common European home" has struck a real chord. Anything which suggests a genuine rapprochement between the two halves of Europe, with a hint of reducing the barriers between East and West Germany, is more than welcome.

And finally, West Germany is unchallenged as the Soviet Union's largest Western trading partner, and the largest source of foreign investment in joint ventures.

Yet at the same time, the relationship remains politically the most sensitive of all across the continuing divide of the European continent.

The reason is not hard to find. When Mr Gorbachev speaks about the common European home – as he seems certain to do again on this trip – he means something different from most West Germans. And Soviet analysts are realising that they have aroused the wrong expectations.

From a Soviet point of view, it does not mean a radical change in the European divide fixed by the Second World War allies back in Yalta, nor any serious progress towards a reunification of Germany. Nor does it mean that the East European members of Comecon will be allowed to move out of the Socialist bloc.

When Chancellor Helmut Kohl came to Moscow last year, a sour note was caused by his disagreement with Mr Gorbachev over reunification and the status of West Berlin. Both sides felt the need to restate their differences bluntly: Mr Kohl, that reunification was a prospect, and Mr Gorbachev, that the prospect was not in his lifetime.

The deathly silence which greeted the Polish election results in Moscow last week was poignant proof of the uncertainty felt in the Kremlin about the whole process of East European reform.

Nevertheless, Mr Gorbachev has firmly decided that the Brezhnev doctrine (the right to intervene militarily if necessary if a Comecon ally looks in danger of counter-revolution) cannot be maintained. His Socialist allies must be given the chance to work out their own destiny. He even maintains that as a reason not to comment on the bloodshed in Tiananmen Square.

At the same time, a stable Eastern Europe, providing a safe security buffer, is a fundamental tenet of Soviet defence strategy. Mr Gorbachev is increasingly aware that his hands-off "new political thinking" may be fatally flawed. So when he comes to Bonn to expand on his ideas for a common European home, he may suddenly seem rather muted.

The original Soviet vision stemmed from a concern that the Soviet Union in particular, and Eastern Europe in general, might get left out of the increasingly integrated economic world of Western Europe. Then that seemed to lead naturally into the field of disarmament, and the Helsinki process. It seemed like a good idea at the time.

But the Soviets have always been very swift to insist that the common European home must, naturally, include both the US and Canada, as participants in the Helsinki process. That in turn would not upset the post-Yalta alliances, and not call into question any alliances in Eastern Europe.

Jaruzelski says UK talks boost Poland's ties with West

By James Blitz

POLAND'S LEADER, General Wojciech Jaruzelski, said yesterday that his talks in London with Mrs Margaret Thatcher, the UK Prime Minister, had marked an important step in his country's efforts to strengthen ties with the West.

His remarks were made after four hours of talks between the two leaders at the weekend, during which Mrs Thatcher proposed five aid measures for Poland which she described as a response to democratic reforms in the country.

Most notably, Britain's aid measures include "sympathetic" help in Poland's negotiations with the International Monetary Fund, and with the 18-nation Paris Club of creditor nations over rescheduling of its debt repayments. Loans from the Paris Club creditor countries, including Britain, account for some $25.5bn of Poland's total debt of $38bn.

A British government spokesman said Britain would be giving £25m to Poland over five years, to assist the creation of a fund to train Polish managers and help establish a market economy. Mrs Thatcher told Gen Jaruzelski that Britain would also take a lead in the European Community in opposing some import restrictions which could hinder Poland's trade.

The government spokesman said the talks had been very friendly. The general's visit to Britain, the first by a Polish leader since the Second World War, is part of a strategy aimed at winning Western financial support for Poland's reform programme. In the next two months, he will meet President George Bush, Chancellor Helmut Kohl and President François Mitterrand.

Mrs Thatcher made clear that Britain's readiness to help resulted from steps taken by Poland on the path of democracy and reform. British officials said that she welcomed the recent elections and confirmation that the authorities stood by the results.

National list poser for party

By Christopher Bobinski in Warsaw

POLAND'S PARTY leadership continued to search at the weekend for a way to fill 33 "national list" seats left vacant in Parliament's lower chamber, the Sejm, in the wake of Solidarity's stunning election triumph on June 4.

Last Friday, in a rebuff to the party leadership, the country's usually docile Council of State, a collective presidency with legislative powers between parliamentary sessions, refused to order speedy supplementary elections for the 33 seats at the same time as a second round next Sunday for candidates in constituencies who failed to win 50 per cent of the valid vote.

The vacancies arose when voters turned down all but two of the prominent officials on the national list.

Unlike candidates standing in individual constituencies, candidates on the national list will get no second chance to run in Sunday's ballot. The Council, which met in the absence of General Wojciech Jaruzelski, its chairman and the Communist party leader, who is on a visit to London, took the view that the issue of the vacancies should be settled by the newly elected Sejm.

The failure of the national list, which contained those Communist party officials who pushed through the round-table agreement opening the way to the elections, means that the re-election pact with Solidarity, giving the opposition 35 per cent of the 460 seats in the Sejm, is in jeopardy.

Accordingly, the Solidarity opposition has declared, to howls of protests from its own activists, that it will not oppose any legal attempt to fill the 33 seats quickly.

Also, many of those on the original list have said they will not stand again; but the party, as well as the Solidarity leadership, wants to have the Sejm's 460 seats filled as soon as possible, so that, along with the Senate, it can proceed to electing a President – still assumed to be Gen Jaruzelski.

Any delay will favour the general's party opponents who are keen to launch an attack on the leadership at a central committee meeting on June 28.

WORLD ECONOMIC INDICATORS

FOREIGN EXCHANGE RESERVES (US$m)

	Apr.'89	Mar.'89	Feb '89	Apr.'87
US	20,731	20,298	19,306	11,275
UK	39,097	38,771	40,746	36,364
W. Germany	51,370	50,157	50,880	68,177
Japan	93,471	92,739	91,981	80,366
Belgium	9,154	9,368	7,965	7,797
Netherlands	13,155	14,437	14,366	13,826
Italy	37,233	35,534	34,219	25,476
	Mar.'89	Feb '89	Jan.'89	Mar '88
France	22,572	22,104	22,117	26,062

Source: IMF

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Uzbekistan violence 'under control'

UNREST in the Soviet Central Asian republic of Uzbekistan has been brought under control, but at least 100 people have died in a week of clashes pitting Uzbeks against minority Meskhetians, newspapers said Yesterday, Reuter reports from Moscow.

The Communist party newspaper, Pravda, said the estimated 7,000 special troops sent to the Fergana valley, south-east of the Uzbek capital, Tashkent, had restored order.

"During the past 24 hours, the situation has mainly stabilised and is being controlled in the region's cities and districts by police and interior Ministry troops units," it said, quoting the commander of troops in Fergana district.

Bulgaria expels ethnic Turks

Over 1,700 ethnic Turks were expelled from Bulgaria at the weekend and sent to Turkey. This brings to 6,700 the number of people expelled since early May, when Sofia intensified its campaign to force the Turkish minority to renounce its ethnic background, writes Jim Bodgener in Ankara.

The combative line on the issue taken by Mr Turgut Ozal, Turkey's Prime Minister, in recently has exacerbated the tension between Turkey and Bulgaria over the issue.

Turkish public indignation was fanned by the television screening on Saturday of a documentary on a Bulgarian prison-camp on an island in the Danube, where many of those resisting Bulgaria's policy have been incarcerated.

Security tight for New Caledonia vote

Residents of the French South Pacific territory of New Caledonia voted peacefully amid tight security in provincial elections on Sunday, Reuter reports from Noumea.

Security was tightened after a radical Kanak (Melanesian) separatist group threatened to disrupt the poll.

Officials said nearly 60 per cent of islanders voted in the election, which will set up three provincial assemblies aimed at increasing self government by the islands' 140,000 Kanak Melanesians and white settlers.

The elections are the cornerstone of a fragile peace accord hammered out last year between Paris and rival New Caledonian leaders. The deal was jeopardised by the murder last month of two separatist leaders in the territory.

Sri Lanka former minister charged

Former Sri Lankan Finance Minister, Mr Ronnie de Mel, has been charged with criminal breach of trust over a sum exceeding Rupees 2.3m (£42,500) writes Mervyn de Silva from Colombo.

Mr de Mel is accused of having "converted to personal use" money allocated for foreign travel in his capacity as Finance and Planning Minister.

He now lives in Britain. Justice Ministry officials refused to comment on the possibility of an extradition application.

EC agrees to include peseta and escudo in Ecu

By Peter Norman and Stephen Fidler in Basle

EUROPEAN Community member states have agreed to bring the Spanish peseta and Portuguese escudo into the European Currency Unit, making the Ecu a weighted basket of all 12 EC currencies.

Basic agreement on the move, which will involve a reweighting of the Ecu's existing constituent currencies, was reached late last week in a meeting of the EC Monetary Committee and discussed yesterday by European central bank officials who were in Basle for today's annual meeting of the Bank for International Settlements.

Final approval of the Ecu reweighting is expected at a meeting of EC economics and finance ministers next Monday with the new weights taking effect in September.

Changes in the Ecu have long been scheduled, because the currency unit, which was created in 1979 to be the "centre" of the European Monetary System, is subject to revision every five years.

However, this year's change has attracted more than usual interest. At one point, it was rumoured that France was pressing for Britain's exclusion from the Ecu as a penalty for it not joining the EMS exchange rate mechanism. This has not happened – sterling will still be a part of the Ecu after September.

The inclusion of the two Iberian currencies as a delayed reaction to Spain and Portugal becoming EC members has also involved detailed negotiation about which other currencies should shed weight to make room for them.

The new weights are being kept secret until next week because they are regarded as market sensitive.

Although the Ecu itself will be worth just as much on the day after the reweighting as the day before, the changes in its constituent parts will affect those banks which have made a practice of creating Ecus from individual EC currencies to meet the demands of their clients.

Because the new Ecu will have to accommodate two new "soft" currencies, it is expected that Ecu interest rates will rise after the change. Central bank officials believe that financial markets are already discounting an increase of between one quarter and one half percentage points in Ecu rates from next September.

The early agreement on the reweighting is likely to be applauded by the Bank of England. It has played a pioneering role in issuing Ecu Treasury bills and an announcement of the new weights next week should remove any uncertainty surrounding trading in its three month bills.

The reweighting is based partly on economic criteria such as the role of a particular member state in intra-EC trade, its contribution to the Community budget and the weight of its economy in the EC.

That leaves the D-Mark as the major currency in the Ecu. The final decision on the weighting is also subject to horse trading. However, officials say that the latest Ecu revision was agreed smoothly and without acrimony.

Baker seeks accord with Congress on South Africa policy

By Peter Riddell, US Editor, in Washington

Baker: UK suspicious

MR JAMES BAKER, the US Secretary of State, has started discussions with Congress on a compromise over previous differences about sanctions against South Africa in the hope of producing a unified US policy.

He is trying to repeat the agreement reached in late March between the Administration and Congress over Central American policy. His view is that both there and in South Africa previous divisions have weakened the effectiveness of US policy.

The renewed US interest in making progress in South Africa was underlined two weeks ago when Mr Baker met Mr Pik Botha, the South African Foreign Minister, in Rome. The US side regarded the discussions as "productive" and Mr F.W. de Klerk, who is due to take over as South Africa's next President after elections this September, may visit Washington later this year.

The timing of Mr Baker's discussions is also affected by the prospect of new sanctions legislation in Congress.

Mr Baker's initiative is being watched with close interest by Britain in view of Mrs Margaret Thatcher's own involvement in the issue and her contacts with the Pretoria Government. In London there is some suspicion of Mr Baker after the manoeuvring leading up to the Nato summit since he is seen as too much of a political dealer and fixer, and insufficiently committed to a consistent policy line.

Mr Baker has noted the past differences between the Reagan Administration's policy of constructive engagement towards South Africa and Congress's different policy of sanctions which prevailed. He said the aim now was to convince Congress that "we have the same ends in mind: the abolition of apartheid and the institution of a non-racial representative government in South Africa."

Noting a difference of opinion with "respect to the best way to get there," he said the Administration was "now engaged in a dialogue with the legislative branch to see if we can come forward with an agreed course so the US can speak with one voice and might be able to have some impact on what happens in South Africa, because we're having scant impact now."

Mr Baker said he believed that sanctions were sometimes counterproductive, though sometimes they could be quite effective. He argued that it was important to have an ability to engage a country and move public opinion in other countries in support of a policy, and to have an ability to reward or not reward that country.

Israel lifts Gaza curfew

By Hugh Carnegy in Jerusalem

ISRAEL yesterday lifted a week-long curfew from most of the occupied Gaza Strip but residents of the area's Jabalya refugee camp, where an eight-year-old boy and a 16-year old boy were fatally shot by Israeli troops at the weekend, remained confined to their homes.

It was the longest curfew endured by so many Gazans at one time since the Palestinian *intifada*, or uprising, against Israeli rule in the occupied territories began in December 1987. It followed a series of measures intended to dampen incessant violent unrest in which more than 500 Palestinians and 20 Israelis have died.

Mr Yitzhak Rabin, the Defence Minister, on Saturday threatened "more pointed and harsher punishments". He spoke on radio of extending the length of detention orders, currently six months, and expanding Israel's prison capacity to accommodate more detainees. Mr Rabin is also being urged by right-wingers to step up the deportation of activists.

Since Israel last month announced peace proposals based on elections in Gaza and the West Bank, it has warned Palestinians to accept the plan or face ever tougher repression of the *intifada*.

The uprising and the peace plan were principal topics for discussion yesterday between Israeli ministers and Mr Boutros Boutros Ghali, the Egyptian minister of state for foreign affairs, who arrived for two days of talks. He met Mr Shimon Peres, the Labour party leader, and today will see Mr Yitzhak Shamir, the Prime Minister, as well as senior Palestinians.

It is clear the Egyptians want Israel to show more flexibility to make the peace initiative more acceptable to the Palestinian side.

Although the Palestinian Liberation Organisation said in talks with the US that it would only accept elections after an Israeli withdrawal and under UN supervision – both terms rejected by Israel – some local Palestinian leaders say privately they do not believe an impasse has been reached.

Car emission issue moves out of Europe's political slow lane

By Tim Dickson in Brussels

IN ONE sense it was a familiar story – Europe catching up with what Japan and the US had achieved almost 10 years earlier.

Friday's deal on small-car emissions, however, should be remembered as more than that. The dramatic decision to cut exhaust gases throughout the European Community by 60-70 per cent is welcome evidence that public opinion and a well-organised lobby can still force 12 different countries to bury their differences.

True, the final agreement was almost five years in the making and owed not a little to political anxiety ahead of this week's European elections.

But the air of excitement when the final compromise was reached brought to mind the spirit of achievement felt in Community circles after the first airline deregulation package in 1987, and after last year's Common Agricultural Policy reforms.

The final road-block on Friday was caused by a fundamental split between a "fast track" of countries led by West Germany, the Netherlands and Denmark, and a "slow lane" convoy in which Britain and France were prominent.

It is a sign of the power of green politics in Europe at the moment that the more ambitious member states won most of the arguments.

The new standards, 19-22 gms per test cycle for carbon monoxide and 5-5.8 per test for a combination of hydrocarbons and nitrogen oxide, will be brought in for new models from July 1 1992, and all new cars after December 31 1992.

More to the point, however, the victory by Mr Klaus Toepfer, the West German Environment Minister, and Mr Ed Nijpels, his Dutch counterpart, in winning EC endorsement for controlled national tax incentive schemes, means that the new US-style exhaust standards and cars fitted with catalytic converters (the only technology currently capable of meeting them) will probably be commonplace much earlier.

The result is that the embarrassing legal bickering in Brussels over existing Dutch incentives can stop.

The West Germans will be able to proceed to offer their own scheme; and even Britain may be forced to follow suit.

Under the rules agreed on Friday, up to 85 per cent of the costs of fitting a catalytic converter may now be subsidised.

Asked about prospects for the further development of lean burn engines – the technology which Britain has openly supported but which does not meet the new US standards – the UK's Environment Minister, Lord Caithness, pointed to an accompanying commitment by the EC to find new ways of reducing carbon dioxide emissions.

S Korea planning to shut Daewoo shipbuilding arm

By Maggie Ford in Seoul

SOUTH KOREAN Government officials have started contingency planning to deal with the possible closure of Daewoo Shipbuilding and Heavy Machinery, a subsidiary of one of the country's largest companies.

Mr Kim Woo Chong, chairman of the company, who last week threatened to close the company when workers voted for a strike, is expected back from a business trip abroad today. Mr Kim last year approached the Government for help with his company, which has debts of $1.8bn.

Under a Government rescue plan, Mr Kim is supposed to raise Won 400bn ($597m) by selling off subsidiaries and other assets, improving the company's management and establishing industrial peace.

In return the government will reschedule debt and pump funds into the company. An expected upturn in the shipbuilding industry and product diversification is expected to enable the company to survive in the long term.

The 14,000 workers at the shipyard on the south-eastern island of Koje have not yet filed their intention to strike in pursuit of a 55 per cent pay claim and the company has been criticised for threatening closure at too early a stage in negotiations. The company has refused to offer any pay rise this year.

At the weekend a meeting of managers and union officials took place. But talks were disrupted when other unionists were attacked by unidentified people attending a rally to denounce the strike. Workers subsequently held a protest against the violence.

Last week workers also criticised the action of 3000 white collar workers at the subsidiary who resigned, alleging illegal activities by the union. The white collar workers would receive jobs at other subsidiaries if the shipyard was closed, company officials said.

The dispute at Daewoo has sparked widespread concern following the suicides of two workers a week ago. Subcontractors of the company and other residents in Koje worried about their future livelihood have urged both sides to return to negotiations. Local shopkeepers and taxi drivers have offered to reduce prices.

Government officials have stressed that the Daewoo rescue package has not yet been finally approved and has warned big business groups that it is concerned that their activities are not helping the national economy.

FINLAND ON THE WORLD STAGE

Advertisement

Kansallis Banking Group:

New business for the honest broker in East-West trade

By Victor Thorne, Helsinki

One of the few banks managing to retain its triple-A status, Finland's Kansallis Banking Group has recently become the focus of major Japanese investment, is increasing its activities in Europe and has entered into a 60% Western ownership in a joint venture bank in Moscow that puts its professionalism and services right where it can best use that peculiarly Finnish knowledge of the country's powerful eastern neighbour.

As a measure of its success in what it has been doing well for a hundred years, and supremely well somewhat more latterly, KOP is posting a 16% increase in total income for the Bank (15% on a consolidated basis for the Group) over the previous year in its interim report to 30 April 1989, with a profit rise for the first four months from FIM 160m in 1988 to FIM 195m.

Significantly, for the first time ever the bank earned less from interest than from other income, notably money and capital market instrument trading and - a recent departure in Finland - from service fees.

Kansallis-Osake-Pankki's typically Finnish, conservative style of action in swelling its presence in certain lucrative markets has won the confidence of Japan's mighty Nippon Life Insurance Company (also founded in 1889), the world's largest group in its field with a portfolio valued at around $150 bn.

The FIM 50m issue of 2,500,000 KOP free shares to Nippon Life, giving the insurance company 1.3% of the bank's share capital and voting rights, represents an important inroad for KOP into the Japanese capital market.

Says Jaakko Lassila, Chairman and CEO of Kansallis: "I would imagine that Nippon Life, with its diversified portfolio, is looking for a relatively good and safe return, and over the longer term.

"This long-term approach the Japanese have in common with Finnish institutional investors. From their point of view, being so far away, they require investment security in countries of political stability. Finland in general, and KOP in particular, are particularly suitable in that respect.

"Although the very rapid expansion of Finland's capital markets lately has attracted more short-term investors, it is still the longer-term philosophy that dominates here."

Special understanding of the Soviet mentality

The FIM 156.5m raised through the share issue will be used to strengthen the bank's competitiveness and capital base, says Dr. Lassila. The move complements a recent Centenary rights issue of FIM 1.2 bn, opportunely timed, attractively priced and well received in the market.

A FIM 150m issue of convertible bonds to employees, implemented in the same connection, was considerably oversubscribed.

For KOP, business in London, Zurich, Luxembourg and, especially, New York, is healthy. And a new FIM 1.8 bn, co-lead managed deal with Crédit Lyonnais on a mill for Finland's United Paper Mills in Strasbourg opens the way to France with the first project of any magnitude in that country.

Dr. Lassila: "Speaking of the symbolic 1992, this process of Europe's drawing together is actually going on all the time. As far as Finland is concerned, I can well see that the day will come when all foreign exchange restrictions are eliminated and we take on a full role as part of Europe.

"Like the British, we've tended to be a bit insular; but we're geographically Europeans and we have also to be Europeans mentally.

"Our business community has realised this: that to be commercially successful we have to understand that we are part of a European common market, whatever the political solutions."

Western Europeans with a special understanding of the Soviet mentality, nonetheless. KOP has traded on this historical connection with the Russians through an office set up in Moscow as far back as 1972; and within the bank there are those who are fully conversant with today's USSR and its economy and are fluent Russian speakers.

The joint venture into the new Moscow International Bank, formed as a limited liability company with four other Western European banks, is a natural extension of KOP's role as a liaison agent between outsiders and Soviet concerns desiring collaborative ties.

What is significant about the venture is the majority holding on the part of the Western banks. Banca Commerciale Italiana of Italy, Bayerische Vereinsbank of the Federal Republic of Germany, Austria's Creditanstalt-Bankverein, Crédit Lyonnais of France and Kansallis-Osake-Pankki each hold a 12% share in the Moscow International Bank.

Of the Soviet banks, the Bank for Foreign Economic Affairs (Vneshekonombank) owns 20% of the equity, with the Industry and Building Industry Bank (Promstroibank) owning 10% and the Savings and Credit Bank (Sherbank) holding the remaining 10%.

Dr. Lassila explains: "The new bank will concentrate on the financing of joint ventures, investments and projects of Soviet and foreign customers and international trade. But of course it will also offer various kinds of financial consultancy services.

"We foresee that the Moscow International Bank will conduct a wide range of credit operations in all convertible currencies inside and outside the USSR, as well as in roubles within the country. Its range of operations includes foreign exchange dealing and securities trading."

Jaakko Lassila regards the prospects for the venture as favourable.

"On the Soviet side, there seems to be a strong desire and a will to develop this concept of joint ventures. And whereas in the past the Russians stipulated a minority share on the part of foreign concerns, they appear to have realised that it might even be advantageous to allow Western partners to hold the majority shareholding.

"Despite any initial practical difficulties, actually putting some meat on the bones, I think this movement has great potential, great promise. From the point of view of worldwide détente, this opening up on the part of the Soviet Union is in the interest of the United States and Western Europe alike."

KOP: an orthodox approach to Soviet trade

KANSALLIS BANKING GROUP
Kansallis-Osake-Pankki
Head Office
Aleksanterinkatu 42
P.O.Box 10
SF-00101 Helsinki
Telephone: + 358 0 1631 Telefax: + 358 0 163 3595
Telex: 124412 kopi sf

CRACKDOWN IN CHINA

Old revolutionary comes to the fore

Robert Thomson in Peking on the conservative thoughts of Vice-President Wang

FOR 81-year-old Wang Zhen, the dramatic conservative shift in the Chinese Communist Party has meant that his political time has come.

Wang, who holds the ceremonial post of vice-president, has suddenly become the most prominent member of the elderly coalition that backed Deng Xiaoping in a party power struggle and now runs the country.

Most days, Wang appears on television or his thoughts appear in print, and they are very conservative thoughts. He, alone among the present leadership, was not purged during the cultural revolution and, in the final years of the chaotic decade, was working his way up the political ladder.

Wang is a strong believer in the old, revolutionary values, and has been critical of the "bourgeois" flavour of recent years, though reformist leaders had given him limited opportunities to influence policy. Now, after backing Deng in his battle with the party chief, Zhao Ziyang, and having been a strong supporter of the army's brutal crushing of the democracy movement, Wang will expect an influential role in fashioning policy.

Diplomats stress that the elderly members of the coalition cobbled together by Deng may have advanced age in common but they have long argued over matters of political and economic reform. These diplomats suspect that policy-making at the highest level will become a series of compromises that will retard the country's progress.

An insight into the types of policies Wang Zhen would like implemented is contained in the titles of party papers he has written: "Fight heroically in building a pioneering enterprise through arduous labour" and "study history, display patriotic spirit" are two of his best known but rarely read works.

Wang wants more central planning of the economy, more intense political education programmes and a limited flow of foreign ideas. He wants philosophic debate confined within narrow party parameters and, more than anything else, he wants to feel again that the party controls the economy and the people.

After joining the party in May 1927, Wang organised a workers' rebellion and found later that his political career was helped by his birthplace – in Hunan province, not far from the home town of Mao Zedong, the great helmsman, who always had a soft spot for fellow Hunanese.

While he was not purged in 1966, when the cultural revolution began, and while he was appointed vice-premier in 1975, a year before Mao and the cultural revolution died, Wang's official biography claims that he was criticised in those years for having said "China is backward, and there are too few intellectuals, not too many". Now he is leading the crackdown against intellectuals allegedly involved in the "counter-revolution".

One other element of his past explains why the vice-president has become a man of the moment. Wang has very long and close ties with the leadership of the People's Liberation Army, having been the deputy chief of general staff in 1955 and been responsible for the appointments of the second generation of generals.

The mere presence of Wang in a position of real power indicates that policies will change, as does the inevitable purge of Zhao, who stood for liberal reforms and stood between the conservatives and the intellectuals they so disliked. The apparent sacking of another relative liberal, Hu Qili, a member of the politburo standing committee, the core of party power, also means that intellectuals have lost a guardian.

Two other liberals whose careers are in serious doubt are Tian Jiyun and Wu Xueqian, both vice-premiers. Tian is a close associate of Zhao and served with him in Sichuan, in the south-west, when he began experimenting with economic reforms which were to be introduced nationally. If Tian is removed, the party leadership will lose its financial reform expert and the man responsible for developing price reform policies.

Wu Xueqian's absence from a party and military gathering on Friday suggests that his future is bleak, though it is not known why he has fallen out of favour, if that is the case. Wu, 67, a former foreign minister, would be dismayed by the damage done to China's international standing by the military brutality and his departure from the politburo could lead to the development of a more arrogant foreign policy.

Students at Shanghai's Fudan University pay tributes to victims of the Peking violence at a memorial created under a statue of Chairman Mao Zedong

Bush comes under pressure to toughen relations with Peking

By Peter Riddell, US Editor in Washington

PRESIDENT Bush is facing increasing calls to take a tougher line with the Chinese leadership following the round-up of leading dissidents and protesters and the support by Deng Xiaoping for the army's violent crackdown.

The Boston Globe yesterday reported that National Security Council officials were working with the US State Department to discuss additional steps. There was no immediate confirmation yesterday by the Administration of any further moves.

However, a number of leading Congressmen, including prominent Republicans, yesterday argued that Mr Bush would have to go beyond the suspension of military sales and contacts announced last *Monday*.

This has been coupled with calls on Britain to take a tougher line with China over the future of Hong Kong.

Throughout last week Mr Bush was seeking to keep open contacts with the Chinese leadership by arguing that the political situation was uncertain and that only elements of the army had been involved in the suppression of the protests.

As recently as last Thursday he said, in a specific reference to his old friend Deng Xiaoping, "let's not jump to conclusions as to how individual leaders in China feel when we aren't sure of that". But this was before this weekend's television coverage of Deng's statement backing the crackdown.

While Mr Bush's approach has received strong backing in Congress so far, there has been rumbling among conservative Republicans which resurfaced yesterday in demands for further action.

Representative Henry Hyde, a prominent Republican member of the House Foreign Affairs Committee, said he was *not sure "we can only do what* we have done". He argued that US strategic interests in maintaining its relationship with China must not overwhelm "our repugnance and indignation".

Similarly, Republican Senator Alfonse d'Amato said it was time to move in the area of other sanctions such as Alliance-wide action, including Japan, on high technology deals.

"We've got to let the Chinese communist leaders, those old fellows who are clinging to power, understand there is not going to be business as usual, that there will be economic sanctions, that there will be a curtailment of our normal relations. And we've got to lead the world community in this direction."

Both Republicans also referred to action in relation to Hong Kong. Mr Hyde called for a slowdown in negotiations between Britain and China over the detailed terms of the transfer and future arrangements.

On Friday, the New York Times argued *in an editorial* that Mrs Thatcher's equivocation over Hong Kong seemed "spineless, even shameful".

The paper described the attitude of Sir Geoffrey Howe, the British Foreign Secretary, to Chinese holders of British passports as "downright appalling".

Chinese diplomats seek asylum in US

TWO officials at the Chinese consulate in San Francisco are seeking political asylum in the US after announcing their defections at a rally on Saturday, agencies report.

Chou Liming, 25, Vice Consul for Culture, and Zhang Limin, 26, a staff member, announced their defections at a gathering in San Francisco of 10,000 people dedicated to the memories of the students killed in Peking. The men said they could no longer support their government.

"We are supposed to tell you that no one was injured or killed. Why? because we are diplomats. But we won't fake it here," one of the men said. Before we are diplomats, we are Chinese and we are human beings."

The defections were announced in Chinese and English at the rally, where a largely Asian crowd, many wearing black arm bands, carried candles and makeshift banners reading "Their blood, our tears".

One diplomat told a local television station he decided immediately after the massacre in Tiananmen Square to renounce his government.

"We . . . want to encourage the students and all the people who love freedom. We want to support them," he told KTVU of Oakland. "I think their [government] victory is only temporary. The people will win."

Hong Kong returns reflectively to work

By John Elliott in Hong Kong

HONG KONG had its first quiet Sunday for three weeks yesterday. There were only small marches protesting against the Peking army massacres, plus some memorial services for the dead.

This is in stark contrast to the previous three Sundays when over 500,000 people took part in the kind of demonstrations not seen in Hong Kong until the Peking students' movement politicised an apathetic population.

Now Hong Kong has returned to work, although there will continue to be small demonstrations. A large number of people have also responded to calls for them to donate money and blood for the Tianenmen Square students and to fax details of the events in Peking to contacts inside China.

A riot early last Wednesday in Hong Kong's Kowloon area marked the end, for the time being at least, of the weeks of mass demonstrations.

The student and other liberal leaders who were organising the protests did not want their totally peaceful demonstrations upset by the street gangs who are believed to have caused the Kowloon riot. So they cancelled a big march later in the day and have not organised any other large protest which could be disrupted.

But Hong Kong's people have learned for the first time in the colony's history about street power and they are expected to stage demonstrations more willingly in the future, not only over Peking but on other issues as well.

Colony's policy fails to deter boat people

VIETNAMESE boat people will this week become Hong Kong's largest non-Chinese ethnic group, replacing Filipino maids and other domestic servants who number 42,000-43,000. At the end of last week, there were 42,212 boat people in the colony and the total is expected to exceed 43,000 within a few days.

Last Monday 1,194 arrived but there have been none for the past two days because a typhoon has been passing near the Chinese coast. Officials expect a surge of new arrivals when the weather improves.

A total of 4,477 have arrived this month and the Government has run out of covered accommodation for them. Reflecting strong local opposition to the boat people, the colony's Legislative Council has refused to approve any fresh funds, so new arrivals are being accommodated in the open air on Hong Kong's remote Soko Islands.

Hong Kong stiffened its policy on the boat people a year ago this week, when it said that new arrivals would no longer automatically be regarded as refugees. Instead, they would be treated as illegal immigrants unless they proved themselves to be genuinely fleeing from political oppression. This was intended to deter new arrivals.

But the policy has failed because over 28,000 have arrived since last June. This is twice the total of just over 14,000 pre-June refugees still in the colony.

Only about 20 per cent of the 28,000 so far screened have proved themselves to be genuine political refugees. Hong Kong wants to repatriate the rest forcibly to Vietnam. But it knows it will not receive international backing for this line at this week's Geneva conference.

It is therefore expected to announce a new policy later this month. This could involve abandoning its role as a place of first asylum for the boat people. It would then end screening and dub all new arrivals illegal immigrants.

Thriving Shanghai has its confidence shaken

The city's economy has stopped in its tracks, says Steven Butler

A CRANE stands idle atop a 50-storey building in the centre of Shanghai. With the cladding in place, this latest addition to Shanghai's rising skyline is nearly finished and scheduled for a November opening.

Last week, however, American managers and Japanese involved in the construction of this $135m (£79m) trade, hotel and apartment centre, a joint venture of Mr John Portman, the US hotelier, followed the advice of their governments and left for home.

There are doubts now that the building will be finished for a long time. It is the sort of investment project that depends heavily on confidence in the future, confidence that the economy will grow fast enough, with a high level of foreign involvement, to provide tenants, and confidence that wealthy foreign tourists will still want to come to China.

That confidence has now vanished with the fear that policies may change or that China may again be convulsed in political turmoil.

On the surface Shanghai looks almost normal, aside from the sudden departure of about three-quarters of the foreign community and a complete lack of tour groups.

Yesterday thousands of Shanghai's population took advantage of the Sunday holiday to stroll down the Bund, where several dozen Tibetans were selling medicines made from animal skulls.

People's Park was filled with families and children playing beneath a bigger-than-life statue of a Chinese soldier, rifle on back and hoe on shoulder, above Mao Zedong's famous slogan "Serve the people".

But Shanghai is not back to normal. Many traffic barriers have been toppled and others have been removed to prevent students from again using them to block intersections. They shut down traffic in the city for four days last week, bringing the economy to a halt, as neither workers nor supplies could find a way to factories or offices.

Sound trucks roamed the streets yesterday blaring messages to encourage order and adherence to traffic regulations. Behind them were truckloads of men in white caps who seemed ready to step in should order not prevail.

The men and their caps were also deployed at intersections throughout the city to prevent disruption. Over 30,000 of them have been taken out of the workforce by the government-controlled Shanghai General Union and organised into worker relief squads. It is not an image of tranquility, but even students agree this is far preferable to shooting up the city and placing armed guards everywhere.

Zhu Rong-ji, Shanghai's mayor, could perhaps even offer a few lessons to the Peking authorities on classic techniques of Communist political control. A speech on Thursday evening, which urged order while carefully avoiding insulting the students by calling them counter-revolutionary, was followed swiftly by deployment of the workers' squads to restore transportation.

With a modicum of order established, the arrest of dissidents began. The students' organisation was declared illegal, and leaders of a democratic party were arrested for alleged attempts to topple the government.

A few hundred people yesterday milled about the People's Square in small groups, discussing politics and quickly congregating around any foreign journalist who might want to hear their story.

The government ignored a student demand to fly flags at half mast for the fallen in Peking, recognise the independent student union, and broadcast unedited video tapes of the Peking conflagration. The students say they have not given up yet and hope to take to the streets again before very long.

Meanwhile, the city's hotels and tourist spots are vacant. The new 39-storey Hilton Hotel, with its cavernous atrium, is populated only by the influx of curious foreign journalists, all of whom have been warned by the city government that they should leave too.

Keeping a foot in Guangdong's open door

Hong Kong hopes trade with the province will not be disrupted, writes John Elliott

EVERY day, 25,000 trucks cross the road border between Hong Kong and the southern Chinese province of Guangdong, carrying components and partly assembled products which have helped to build the economies of these two adjacent and economically inter-dependent areas into booming success stories.

Now manufacturers of toys, electronics goods, textiles and other products based in Hong Kong and other business centres are waiting to see whether the eruptions in Peking lead to damaging changes in government policies and attitudes.

"No one knows what is going to happen in the next couple of weeks," says Mr Danny Cheong, a senior executive of Maio & W (China), a Hong Kong company which produces handbags in Dongguan City, one of Guangdong's most successful industrial centres. "At present the Guangdong government officials are operating on their old orders, waiting to see if there are any new rules."

This is crucial to Hong Kong where confidence and economic prospects would be seriously hit by a setback in Guangdong which has benefited more than any other part of China from the open door policies of the past 10 years.

Much of Hong Kong's entrepôt role could be put at risk by any setbacks. Some Hong Kong companies would probably collapse because they rely on Guangdong for cheap labour and readily available industrial sites, without which they are not internationally competitive.

Between 1.5m and 3m Guangdong workers, supplied by Chinese government agencies, are employed by over 60,000 Hong Kong companies in factories stitching hats and plastic dolls' heads, assembling toy railway sets, laminating circuit-boards, and producing soft drinks, among other things.

At least 300,000 come from other parts of China. They are mostly young girls earning about Yuan 300-600 a month, well above the Yuan 150 (£25) of state company industrial workers and far below the HK$ equivalent of Yuan 1,500 or more which the companies would have to pay in Hong Kong.

The development of Guangdong, which includes three of China's four special economic zones, has been personally backed by Zhao Ziyang, the former Chinese party leader. Guangdong has become China's most prosperous, free-wheeling province.

But this has created envy in Peking and elsewhere and there has been outspoken criticism of the area's independence, and its life style. So it is possible that Zhao's fall could lead to a clampdown on Guangdong and the purging of some of its most liberal-minded officials, even if there is no general return nationally to closed door economic policies.

The economy is so open that Hong Kong dollars are widely and officially accepted and some observers estimate that as much as 20 per cent of all Hong Kong's notes are in use there.

In the special economic zone of Shenzhen, which is the most capitalist-oriented area, officials have even been preparing new capitalist-style laws culled from Hong Kong, Singapore, Japan and the US covering areas such as company structures, bankruptcy, taxation, and labour.

The province has absorbed 45 per cent of all foreign investment going into China. About 70 per cent of its total of HK$12bn comes from, or has been routed through, Hong Kong. This is direct investment into joint ventures and wholly foreign-owned projects which include a float-glass plant from the US, Peugeot cars from France, and various electronics companies from Japan.

These figures do not include the 60,000 businesses connected with the processing work where materials or components are sent from or through Hong Kong to be worked on, then sent back in complete or semi-complete form.

This traffic last year accounted for 73 per cent of Hong Kong's HK$38bn total domestic exports to China. It also accounted for 35-40 per cent of Hong Kong's HK$95bn re-exports to China which are goods brought into Hong Kong by traders who pass them on, having not materially worked on them.

Guangdong's production is said by the government to have been rising by an annual rate of 25 per cent in the first half of this year. So far, this has been little affected by the turmoil in China and a senior Shenzhen official said over the weekend that the favourable foreign investment climate would continue. There have been some disruptions and protests and government-owned factories have been hit.

But executives such as Mr Cheong of Miao and Mr Aaron Lo of Tootal China, a spin-off from the UK company which runs a factory in Guangdong, report few problems apart from occasional transport blockages and delays in supplies from China.

Many companies were hit last week when there were reports that the border on the China side of the Shenzhen customs free zone had been closed. That raised all sorts of fears about China literally closing its doors which would spell disaster for many Hong Kong companies and a could cause a real slump in confidence.

The story proved false and traffic was soon running again, although some Hong Kong truck drivers are unwilling to drive beyond the Shenzhen border and go far into Guangdong. For most of last week there were more trucks leaving China than entering it.

No-one believes that the door will literally close, but what is possible is that policy changes will drive out much of Guangdong's economic dynamism. There could also be a purge of officials or a clampdown on corruption which could affect lucrative practices such as under-invoicing and the payment of bribes for official favours. Railway problems might impede coal supplies to power stations, worsening already serious electricity shortages.

Guangdong officials visited Hong Kong at the end of last week to stress to Hopewell Holdings, a local company involved in building road and power station projects across the border, that they do not want work to stop. That illustrates the inter-relationship between the two places which neither side wants to break, whatever may happen in Peking.

HONG KONG recorded a trade deficit of HK$ 2.36bn (£171m) in April, Census and Statistics department figures show, Reuter reports.

Domestic exports rose 9 per cent to HK $17.48bn in April from a year earlier and re-exports by 38 per cent to HK$ 28.08bn, boosting total exports by 24 per cent year-on-year to HK $45.56bn.

Imports were up by 20 per cent in April from a year earlier to HK $47.92bn. Total April merchandise trade rose 22 per cent to HK $93.48bn *from a year earlier.*

OVERSEAS NEWS

Irish general election campaign fails to set political embers alight

Even opposition politicians have described the poll as a mistake but Premier Charles Haughey is undaunted, Kieran Cooke reports

THE Irish usually enjoy a good political scrap. But a general election in Ireland called for June 15, coinciding with elections to the European Parliament in Strasbourg, has failed to set the political embers alight.

Mr Charles Haughey, the Irish Prime Minister, called the election after accusing the opposition of obstructing the work of his minority Government.

The opinion polls indicate that three out of four voters do not want to go to the polls. Even opposition politicians have described the election as a mistake and unnecessary.

Mr Haughey is undaunted. His Fianna Fail party has been in power for a little more than two years. During that time Fianna Fail has surprised many people by the way it has gone about tackling Ireland's serious economic problems.

"We saved the country from bankruptcy," is the boast of Mr Haughey. A party once famous for giveaway manifestos and a cavalier approach to public spending has become a model of financial rectitude.

Public spending has been radically cut back. Thousands of public service jobs have gone. As a consequence, the Exchequer borrowing requirement has been halved.

The national debt, though it still stands at more than I£24bn (20.6bn), equivalent to I£28,000 for every household in the country, has been stabilised.

Exports are now running at record levels. Inflation is a little over 3 per cent, while interest rates remain well below those in Britain. Mr Haughey says his Government has restored confidence in the economy and he wants a mandate to build on recent successes.

Painful economic adjustments of the past two years have been generally supported by Fine Gael, the main opposition party, and by the small, recently formed, Progressive Democrats. The two parties have now formed an electoral alliance.

They say that by calling an election, Mr Haughey has destroyed the first real political consensus in Ireland in several decades. Mr Haughey is accused of displaying increasingly autocratic tendencies and of putting his ambition for power before the good of the country.

Politics in Ireland remains a deeply conservative business. At times there seems little to choose between Fianna Fail, translated as "The Soldiers of Destiny" and Fine Gael, "*The Tribe of the Gaels*".

Fianna Fail has dominated the political landscape since it contested its first election in 1932. Its ideology is vague, based more on a semi-mythical Irish past than any vision of the country's future.

By calling an election on the same day as the poll for the European Parliament, Mr Haughey has sidetracked any talk of European issues. Northern Ireland is not an issue in this campaign and has hardly been mentioned. Pragmatism not policy is the order of the day.

When *Fianna Fail* was last in opposition, it stood against everything from the 1985 Anglo-Irish Agreement to budget cuts. There have been plenty of U-turns over the past two years.

Mr Haughey has clearly impressed the electorate with his performance. Despite the cutbacks and harsh economic measures, the Government's rating in the polls has consistently topped 50 per cent.

But the Government's fortunes could be changing. There is growing impatience over unemployment which, at 18 per cent, is among the highest in Europe.

Emigration, an emotional barometer of Ireland's economic and social health, has risen dramatically in the past three years and more than 40,000, mostly young, people are expected to leave in 1989.

There is the perception that Mr Haughey is presiding over an increasingly unequal society with up to a third of the country living on or below the poverty line.

The small, moderately left-wing Labour Party is gathering support from those disillusioned with establishment politics. Government cuts have done serious damage to the health service.

Many millions need to be spent on the road system, particularly in rural areas.

There has been a growing chorus of allegations both inside and outside the Dail, the Irish Parliament, about alleged Fianna Fail favouritism, especially in regard to a cabal of big business people.

Ireland's economy is very susceptible to outside influences. Interest rates are already under severe upward pressure. The inflation rate is edging upward again.

Mr Haughey insists that his Government is one of "total integrity" and he promises to deal effectively with the problems facing the country.

A great political survivor, Mr Haughey has decided to go to the polls while the going is good. Fianna Fail, tightly disciplined and still able to draw on a considerable bedrock of traditional support, is likely to win once again on June 15.

But the opposition is putting up a good fight and there are indications of a slippage in Government popularity.

Mr Haughey has failed to gain a parliamentary majority in four previous outings as Fianna Fail leader. If Mr Haughey again finds himself having to form a minority Government he will be looked on as a five times loser.

Charles Haughey: "We saved the country from bankruptcy."

Brussels aware that course to single market will become rougher

The initial impetus is still there although a new caution is beginning to overshadow the euphoria, William Dawkins writes

IS the European Community's campaign to create a free single market in danger of running aground? Not yet. But the teams of national and *EC officials working to* steer Europe towards 1992 are aware the course will get rougher.

The impetus is still there. Two days from now, Community Trade and Industry Ministers are due to reach initial or final agreement on possibly 18 proposals for breaking down trade barriers between member states.

The most important likely accords in this batch, include measures to boost competition for public works contracts and help dissatisfied bidders appeal in court, as well as the completion of common broadcasting standards and several food and drug labelling and packaging rules. It promises to be a fruitful internal market council.

Yet *a new caution is starting* to overshadow the 1992 euphoria. The realisation that all might not be well was highlighted recently by British outbursts against a European Commission perceived to be overstepping its powers on various issues.

This has introduced a new uncertainty and volatility into

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the Council of Ministers, the member states' main decision-making body. All this comes at the worst possible time, when governments are engaged in working towards agreement on some of the most politically sensitive and important elements of the 279-point internal market plan.

Britain is not nearly as isolated as Mrs Margaret Thatcher's critics might imagine. The West German Länder and the Danish Parliament have complained about *Brussels' erosion of their sovereignty* for years — so the difference is more in style than substance.

Some diplomats argue the Commission has played an over-ambitious game by asking governments to make too many weighty decisions about the next stage of EC integration too soon before the completion of Project 1992.

Barely half-way through the internal programme, the 12, with their different views on how far to take European integration, have to digest the Delors report on monetary union and the Commission's plans for a social charter. All this, warn pessimists, threatens to bring new divisions, again *led by the UK*, which could spill over onto the basic internal market plan.

Commission officials admit to nightmares that national sensitivities over sovereignty, inflamed by monetary and social policy plans, might complicate work on the internal market. Nobody suggests a direct link; it is a psychological *risk*, a greater mood of caution among officials responsible for preparing for political agreement on Commission proposals.

Even before the Brussels *executive highlighted these* fresh challenges, it was hard enough to wheedle European governments into sinking their differences over the 134 internal market measures — out of *the full package of 279 — that* have so far reached full or partial agreement.

Many demanded great sacrifices of national interests, such as West Germany's agreement to expose its road transport industry to European competition, or France's acceptance of capital liberalisation. It is hard to find a similar British gesture, but even so, the 1992 achievement to date has lived *up to even the most optimistic* hopes.

The Brussels authorities tabled 231 internal market proposals by early May, of which 97 are awaiting clearance through the Council. By the end of this year, it hopes to have put forward the remaining 48 points in the plan, mainly dealing with plant and animal health — a complex area and crucial to the abandonment of border checks.

But the points on the table and awaiting member states will demand more national sacrifices, in the cause of the broader Community interest.

Difficult decisions include indirect tax approximation, seen by the Commission as the most important single proposal for the abolition of frontier controls; free movement of people; exposure of the car industry to free international competition; and the extension of free public procurement rules into the traditionally excluded sectors of energy, telecommunications, water and transport.

Member states must give their go-ahead on these issues by the end of next year if the EC is to meet the January 1993 deadline to which its governments are committed, which is *why Ministers can ill-afford to* be sidetracked by political rows. Some single market proposals take direct effect as EC regulations, but most are directives that need plenty of time *to be transformed into national* law.

The new Commissioners have spent their first few months doing their best to push negotiations along by offering compromises on some of their predecessors' toughest positions. They have made significant changes in the indirect tax package, introduced much more flexibility into the conditions under which non-EC banks get access to Europe through a proposed single Community banking licence, *and toned down plans for an* EC-wide merger control system.

As a result, ministerial agreement on all three of these looks possible in the second half of the year, promising an extremely fruitful EC Presidency for France, which takes over the six-month chair from Spain on July 1. Diplomats also speak optimistically of early agreements on bank solvency ratios — related to the EC bank licence — and a Community-wide takeover code.

Among the big victories for internal marketeers is the so-called new approach to industrial standards, which aims to replace the old policy of technical harmonisation with mutual acceptance of *differing national standards* subject to basic safety and performance requirements.

This has overcome seemingly insurmountable problems *to produce agreements on* engineering machinery, pressure vessels, construction materials and toys, among others.

That is not to understate the challenge ahead. There is the problem of turning these legal agreements into clear standards that are understood and implemented by industry, a job that falls to the EC standards organisations Cen and Cenelec and their national counterparts.

Financial services are another area where member states have shown a surprising ability to sink long-standing differences, notably on proposals to deregulate non-life insurance. Complex negotiations, meanwhile, are needed to get agreement on common EC rules for securities dealers, yet to be tabled by the Commission.

Commission officials have hinted that Brussels may countenance the existence of residual border controls in some cases, to check security and animal disease — especially important to the UK as the EC's only island state.

British officials welcome this new flexibility, but nobody believes that it will be easy to turn all this into hard and fast agreements by 1992.

LABOUR ministers from both socialist and centre-right governments are today expected to join together to back the European Commission's proposed workers' rights charter, against the lone opposition of the UK government, David Buchan reports from Brussels.

The lop-sided nature of the confrontation over the social charter, which EC employment ministers will today discuss for the first time in Luxembourg, became clearer last week when labour ministers from West Germany and the three Benelux countries jointly endorsed the charter and the need for follow-on EC legislation.

The four ministers, who will be at today's meeting, are all Christian Democrats, indicating the degree of *continental* cross-party support for upward social harmonisation through EC legislation. Mr Felipe Gonzalez, the socialist Spanish prime minister, made it clear he wants the social charter seriously discussed, if not formally endorsed, at the Madrid summit later this month.

British officials say they expect a "rumbustious" riposte from Mr Norman Fowler, the UK employment secretary, who will argue against Community intervention into an area of traditional national competence and of considerable legal-economic diversity *among the Twelve*.

But Ms Vasso Papandreou, the EC social affairs commissioner, last week rejected the recent charge of Marxist interventionism levelled by Prime Minister Margaret Thatcher. "I don't think the social charter has very much to do with Marxist thinking — it has a lot to do with a democratic Europe," the Greek commissioner said.

UK NEWS

Ports set for legal move on strike

By John Gapper and Ian Hamilton Fazey

PORT employers said yesterday they were ready to take legal action to prevent an unofficial national dock strike as shop stewards prepared to extend strikes around Dock Labour Scheme ports in defiance of the Transport and General Workers' Union.

Mass meetings of dockers are expected this morning at many of the scheme ports so far unaffected by the unofficial action, which broke out last week after a Court of Appeal ruling prevented the TGWU from calling an official national strike.

Dockers in Liverpool voted yesterday for an indefinite stoppage after a national meeting of shop stewards from 14 ports in London on Saturday decided to try to persuade all dockers bound by the National Dock Labour Scheme to strike.

Meetings at Hull and Southampton, two of the largest scheme ports at which dockers have so far refused to strike, are expected to be crucial to the future of an unofficial strike and will be watched closely by employers.

Mr Nicholas Finney, director of the National Association of Port Employers, said yesterday that he expected port employers would consider legal action against both the TGWU and stewards organising unofficial action if if continued to spread.

However, port employers are likely to be cautious about seeking injunctions against the organisers of unofficial action if it looks as if the action is not spreading and legal action would increase tensions unnecessarily.

Mr Bill Morris, TGWU general secretary, said the union would continue to instruct dockers to wait until an official strike could be called. He believed "an overwhelming majority" of the 9,400 registered dockers would do so.

Mr Morris said the union was determined to remain within the law and await the result of a House of Lords appeal, even though that could mean having to re-ballot dockers on an official strike because the initial mandate had expired.

He would not speculate on whether the union would be forced to discipline stewards or individual members who go on strike. However, port employers may argue that the union has not done enough to prevent outbreaks of unofficial action.

On Friday, over 3,000 dockers were on strike at Liverpool, Garston, Newport, Ipswich, Great Yarmouth, Tilbury, Bristol and Lowestoft. Liverpool dockers are to lobby non-strikers at Garston tomorrow.

Mr Jimmy Nolan, chairman of the Mersey Docks and Harbour Company shop stewards, said dockers at non-scheme ports would be lobbied to support the strike and picketing of these ports would be considered.

● In Saturday's edition of the Financial Times, it was reported that Mr Ron Todd, general secretary of the Transport and General Workers Union, had "ignored" a call from the union's national docks committee to call an official dock strike.

In fact, Mr Todd referred the call to a meeting of the union's executive council, which voted not to alter its policy of refraining from calling an official strike of registered dockers until cleared by the High Court to do so.

We apologise for the error.

Ministers are preparing changes to the Government's draft code of practice on industrial action ballots which are likely to simplify it, but make only minor changes in response to criticisms that it is biased against unions, writes John Gapper.

Unions and employers of the draft code, which recommends that unions should call industrial action only if there is a substantial majority in favour in a ballot with a turnout of at least 70 per cent. However, ministers believe the thrust of the code, which would could be taken into account in court hearings over industrial action ballots, is justified in placing obligations on unions on the conduct of ballots.

Thatcher bids for support in Euro-poll

By Michael Cassell, Political Correspondent

MRS MARGARET Thatcher, the Prime Minister, last night signalled the start of a final Government offensive aimed at limiting the seat losses which the Conservative Party faces in this Thursday's European Parliament elections.

In a message to encourage Conservative candidates in the 78 British seats contested this week, the Prime Minister again restated her vision of a Europe in which nations co-operated but resisted "overweening bureaucracy."

She also expressed fears that a big setback for the Government in the elections for the British seats could materially affect the political balance of the European Parliament.

The centre-right, she emphasised, held only a narrow majority in an assembly which had an increasing amount of influence on people's lives.

With the latest opinion polls giving the opposition Labour Party a clear lead in popularity, there is considerable Tory concern that the party could face bigger than expected losses among the 45 seats it is defending.

Labour, defending 32 seats, hopes to make five or six gains from the Tories, including the Government's remaining two seats in Scotland.

Some ministers admit that the opposition has successfully used the election campaign not only to highlight government divisions on Europe, most notably involving Mr Edward Heath, the former Prime Minister, but also to make headway in attacking Mrs Thatcher's domestic record.

During a weekend of charges and counter-charges, intended to demonstrate which party has the best European credentials, Mr Neil Kinnock, the opposition Labour leader, accused Mrs Thatcher of being "anti-British" as well as "anti-European."

Today, Mr Norman Fowler, the Employment Secretary, will firmly restate the British Government's opposition to the idea of a European social charter when he attends the first formal talks on the issue in Luxembourg.

Employers 'seek cuts in overtime'

By John Gapper

ABOUT 44 per cent of British companies are trying to reduce the amount of overtime their employees work, mostly by recruiting more labour, tightening management controls and introducing flexible working patterns.

A survey by the Confederation of British Industry, the employers' body, of working time in 277 member companies showed that only 4.1 per cent of manufacturing companies – and no service employers – cut the basic working week last year.

In 90 per cent of companies some employees were working overtime, and in about 25 per cent of manufacturing companies, male manual workers were working more than 9.5 hours of overtime a week.

But the survey, carried out last year, found that companies were commonly trying to reduce the amount of overtime worked at premium rates.

Magnet management buy-out for £629m looks set to succeed

By Andrew Hill

BRITAIN'S largest ever management buy-out – the controversial £629m bid for Magnet, the Yorkshire-based kitchen furniture company – looks set to succeed, despite the fact that shareholder support has fallen short of the level required by banks funding the deal.

Mr Tom Duxbury, Magnet's chairman and head of the buy-out team, should be able to declare the bid unconditional tomorrow, with 80 per cent of the group's ordinary shares and 65 per cent of the convertible shares committed to the offer. He and his directors owned just 1 per cent when the buy-out was proposed in January.

A clutch of international banks have to provide £300m of senior-term debt to help fund the buy-out if acceptances reach 90 per cent in each category of stock – the level at which Mr Duxbury can turn the company private.

But although that has not been achieved, the banks will probably gamble that reluctant shareholders will commit their holdings to the bid once it is given the offical go-ahead.

The offer reached its penultimate closing date on Friday. Bankers Trust, the buy-out team's adviser and one of the institutions funding the deal, will today formally extend the offer to its 60th day – tomorrow – when the financiers should allow it to be declared unconditional.

Leveraged buy-outs are common in the US, but the Magnet deal, launched in March, has stirred up UK institutional investors, many of which objected to the deal on principle.

Sun Alliance, for example, argued that if the deal succeeded it would trigger a spate of similar buy-outs, thus depriving institutions of the opportunity to invest in well-managed companies in the longer term.

More specifically, Sun Life, the insurance group, led several institutions that were unhappy about the structure of the offer for the convertible shares, which included only 25p in cash. Pressure from those institutions led to an increase in the cash element to 90p.

The turning point came at the end of last week, when Sun Life revealed that it was prepared to commit its holding of 12.45 per cent of Magnet's convertible shares – enough to block the buy-out – and 1.35 per cent of the ordinary equity to the deal.

But the market has remained sceptical about the bid to the last – the ordinary shares closed on Friday at 290p, 10p short of the offer price.

UK NEWS

Architects fear housing policies will lead to slums

By Paul Cheeseright, Property Correspondent

GOVERNMENT housing policies are not leading to the construction of enough homes and the absence of suitable space and building standards will lead to the creation of new slums, the Royal Institute of British Architects said yesterday.

In the course of a statement of its own housing policy, the RIBA attacked the Government for not ensuring a steady rise in housing standards. It underlined the role of local authorities in providing and maintaining housing, thus flying in the face of Government policy aimed at reducing their role.

In the RIBA view, the Government and its funding agencies are simply not meeting a crisis. "The increase in the number of households has not been met with a corresponding increase in house building. An ever-increasing number of people are being forced into poorly built or badly converted accommodation. I think it is hight time the country had a consumer watchdog for housing," said Dr Rod Hackney, the RIBA president.

Specifically, the RIBA wants the Government to introduce a repair grant, related to the condition of a property rather than the means of the individual to pay, as a way of tackling the rising maintenance bill for the country's housing stock.

"Houses of the inter-war and early postwar years which have not been the targets of grant aid in the past are the greatest risk of deterioration," according to the RIBA.

The proposal is likely to fall on stony ground, given the Government's propensity for reducing rather than increasing spending.

The RIBA also wants those who rent accommodation to be given cash assistance in the same measure as given to those who buy.

The RIBA accepts the argument of the house builders that new housing land will have to be released by local authorities in rural areas, but it wants the creation of a limited number of villages rather than the expansion of existing villages and small pockets of unrelated development.

Housing in Crisis, a policy statement. Royal Institute of British Architects, 66 Portland Place, London W1N 4AD; £4.95.

Call to improve rights for buyers of goods in bulk

By Robert Rice

THE LAW Commission, the Government's law reform body, has called for a legal change to improve the rights of international commodity traders who buy goods in bulk.

International commodity traders have particular difficulties with goods carried by sea. For example, when a trader has bought part of a larger bulk cargo which is found to be damaged when it reaches the port of discharge, the buyer may have no remedy even though the carrier damaged the goods.

The Bills of Lading Act 1855 allows the buyer to sue the carrier but only if ownership of the goods passes to the buyer at the same time as the transfer of the bill of lading.

With bulk goods, the transfer of ownership to the buyer is usually delayed until the goods are separated out at the port of discharge.

The commission proposes that the sale-of-goods legislation should be amended to allow buyers of parts of bulk cargoes to own their goods before their respective parts are separated from the rest of the bulk.

Most European commodity traders trade on English law terms. It is important for the UK's invisible earnings that they continue to do so.

Rights to Goods in Bulk. Law Commission Working Paper No 112. HMSO, £2.70.

SNP poorly placed for Glasgow win, poll finds

By James Buxton

THE FIRST opinion poll to be carried out in Glasgow Central, where a by-election is to be held on Thursday, suggests that the Scottish National Party is still a long way short of achieving its aim of repeating the success it achieved over Labour in Govan last autumn.

The opinion poll, conducted by Stirling University for the newspaper Scotland on Sunday, shows the SNP vote standing at more than double the level realised in the 1987 general election, yet still well behind Labour, which that year held the seat with a majority of over 17,000.

According to the poll, 47.6 per cent of those asked said they would vote Labour, 20.7 per cent said they would vote SNP and 7.2 per cent said they backed the Conservatives. The Democrats polled only 1.1 per cent and SDP 1 per cent. Some 19.4 per cent said they did not know how they would vote.

The poll, conducted in face-to-face interviews in the middle of last week, shows a fall in Labour's share of the vote, which was 64.5 per cent at the general election, and a fall in the Conservative share, which was 13 per cent. The SNP share has risen from 9.9 per cent in 1987.

In the nearby Govan constituency, a swing last November to the SNP in the last days of the campaign enabled Mr Jim Sillars, the SNP candidate, to defeat his Labour opponent by more than 3,000 votes, wiping out a 19,500 Labour majority.

The SNP is making a big effort to capture the seat with a series of initiatives by Mr Alex Neil, its candidate, and heavy canvassing.

Labour is equally determined to hold the seat. The election follows the death of the MP, Mr Robert McTaggart.

The poll showed the most important issue to be the community charge or poll tax, followed by unemployment.

The 1987 election results were: R. McTaggart (Lab) 21,619; B. Jenkin (Con) 4,336; J. Bryden (Lib/All) 3,528; A. Wilson (SNP) 3,338; A. Brooks (Green) 290; J. McGoldrick (Comm) 265; D. Owen (Red Front) 126.

Britain sets out to attract the Japanese

David Churchill examines why tourist chiefs are travelling far to bring home visitors

MR JOHN LEE, Minister for Tourism, leaves for Japan today as part of a delegation of British tourist chiefs hoping to persuade the Japanese to come to Britain in ever-increasing numbers.

"Nearly 400,000 Japanese visited Britain last year, spending £200m in the process, but I want to see these figures increased substantially over the next few years," says Mr Lee.

His hopes, however, may be realised more as a result of the Japanese Government's declared aim of encouraging its citizens to travel abroad in an attempt to recycle its big balance-of-payments surplus than through the marketing efforts of the British tourist industries.

Just under 7m Japanese went abroad last year – about 6 per cent of the population – although the Japanese Government hopes that more than 10m Japanese will travel overseas by 1992. In comparison, some 30 per cent of Britons took holidays abroad in 1988.

But the importance of Mr Lee's trip to Japan is that it shows how seriously Britain's tourist chiefs are taking the need to sell Britain abroad.

Tourism is well on its way to becoming one of Britain's most important industries. It employs over 1.5m people, accounts for nearly 5 per cent of total exports and 6 per cent of all consumer spending.

MADAME Tussaud's was again London's top paid-for tourist attraction last year, while the British Museum was again the most popular free attraction, according to figures from the London Tourist Board.

Madame Tussaud's, which is owned by Pearson, publisher of the Financial Times, recorded 2.7m paying customers, the same as in 1987, while the British Museum attracted 3.8m visitors compared with 3.7m in 1987.

The National Gallery was the second biggest attraction with 3.2m visitors, although that was down from 3.6m in 1987. The Science Museum's popularity fell from 3.2m in 1987 to 2.4m last year after it began charging.

Mr Tom Webb, managing director of the London Tourist Board, said: "London's established attractions have had another good year but they face stiff competition from newcomers such as the Museum of the Moving Image."

Last year a record 15.8m overseas visitors came to the UK and figures this week from the Department of Employment show that in the first quarter of 1989, incoming visitors numbered 20 per cent more than last year's record.

Yet Britain is not alone in enjoying a tourist boom. "International travel is predicted to become the world's biggest industry by the end of this century, and more and more countries are looking to tourism to replace other industries which are in decline," says Mr Duncan Bluck, chairman of the British Tourist Authority.

Preliminary estimates by the World Tourism Organisation of international tourist arrivals in 1988 show that travel numbers rose by nearly 9 per cent (to 390bn arrivals) in comparison with 1987 and spending by 23 per cent to $195bn (£124bn).

But the UK's share of 4 per cent of all world tourist arrivals last year was slightly down on 1987, while in terms of spending, the UK's share fell from 6.5 per cent in 1987 to 5.7 per cent last year.

The UK remains in fifth place in the international tourism stakes – behind Spain, the US, Italy, and France, but ahead of Austria, West Germany, Switzerland, Canada, and the Netherlands.

What worries the leaders of Britain's tourist industry is that the growth of tourism is perceived by the Government and many within the industry itself as being inevitable. The belief is that international travellers will increasingly choose to come to Britain in spite of what facilities are made available and how tourists are treated.

Such optimism is fuelled by developments, including the Channel tunnel and the single European market, which tourist industry estimates suggest might lead to 20m visitors coming to Britain by 1993.

But such growth is not guaranteed. "In today's climate of fierce competition for international tourism, Britain is in danger of both pricing and dirtying itself out of its place among the world's top five tourist countries," argues Mr Michael Medlicott, the BTA's chief executive.

One cause for concern is the UK's internal transport system. "Many trains on the routes from seaports are inferior," says Mr Medlicott. "Often there is no co-ordination between ferry and rail services and there is a drastic lack of baggage handling and passenger reception facilities at some of our seaports." Other transport obstacles include congested motorways, a shortage of coach parking, airport delays and expensive internal flights.

In addition, UK tourism is hampered by:

- A shortage of budget accommodation;
- Too much litter and pollution;
- Restricted Sunday trading;
- Too many hotels, historic houses and attractions which close in the winter.

Many in the tourist industry, however, see a more immediate and significant drawback to tourism's growth than those matters.

The Government last year instituted a review of how the tourist industry is organised, marketed, and funded. The review has not yet surfaced, but there are fears among tourist bodies that their roles and functions might be significantly altered.

The Department of Employment has suspended part of the system of government grants which had been available for many years to enable tourist projects to get started.

It is feared that the Government will insist that the main benefactors of the tourism boom – especially the airlines and hotel chains – should fund a revamped tourist authority responsible both for promoting British tourism abroad and co-ordinating developments in the UK.

Whatever the outcome of the Government's review – and an announcement is expected before the Parliamentary recess next month – the tourist industry knows that it has a fight on its hands to maintain and increase its share of international tourism. That will be especially so when European Tourism Year (as designated by the European Commission) gets under way and other European countries intensify their efforts to woo the Japanese and Americans to their countries rather than Britain.

Bank to occupy Bracken House

By Paul Cheeseright, Property Correspondent

INDUSTRIAL Bank of Japan, which has the largest capitalisation on the Tokyo stock exchange, will be the new occupant of Bracken House, in Cannon Street, which until recently was the most expensive piece of property in the City of London.

Mr Kaneo Nakamura, the IBJ president, said his bank would be leasing the building. Ohbayashi, the Japanese construction and property group that bought Bracken House from Pearson for £143m in 1987, has consistently refused to talk about any deal with IBJ.

The terms under which IBJ will take the building are not known. But it is assumed in property circles that just as Ohbayashi's original purchase raised City site prices to new levels, so IBJ's rent will raise rents to new levels. It is thought unlikely that IBJ would pay less than £75 a sq ft.

Prevailing rents in the City for such large amounts of space are around £50 a sq ft.

IBJ's occupancy of Bracken House – the old name will be retained – cements a long-established relationship with Ohbayashi. It occupies Ohbayashi properties in Japan.

One of the two long-term credit banks in Japan, IBJ has been expanding its securities business in London and is thought to have the largest staff in the City of any Japanese bank.

Bracken House, until last Easter the headquarters of the Financial Times, was listed as an historic building shortly after its purchase by Ohbayashi. Coming to terms with the listing, Ohbayashi devised a redevelopment which retains the north and south wings of the building and inserts in the middle new office space.

When construction is finished in 1991 at a cost of £32.5m, there will be 200,000 sq ft of office space, more than in the original building.

Foreign holiday costs up 9%, Lloyds Bank says

By Ralph Atkins, Economics Staff

THE COST of foreign holidays taken by independent UK travellers has risen by an average of 9 per cent in the past year, according to a report published today by Lloyds Bank.

Its conclusions are based on a "cost of foreign travel" index which takes account of local inflation and sterling exchange rates. It is weighted according to numbers visiting the top 14 holiday destinations.

A large part of the increase is explained by a rise in the Spanish peseta, with the strength of the US dollar also pushing the index upwards. The report says Spain is the most popular holiday destination, with 4.4m package holidays and 1.7m independent holidays taken there in 1987.

In Portugal, high inflation has more than offset a modest fall in the escudo against the pound, the report says. Yugoslavia may also have become more expensive.

Trips to countries in the European Monetary System, however, should not be much more expensive. Sterling is at roughly the same level against those currencies while inflation in other European Community countries is lower than in the UK.

Permission sought to build second PWR at Sizewell

By Maurice Samuelson

PLANS WILL be announced this week to build a second Pressurised Water Reactor nuclear power station at Sizewell, Suffolk.

The planning application will be made by the National Power division of the Central Electricity Generating Board, which will run nuclear power in England and Wales after the CEGB is broken up and privatised on January 1 1990.

The 1,200 megawatt station will complete the so-called "little family" of PWRs which the Government wants to have in operation by the end of the century.

But with the Government now backing nuclear power for environmental reasons as well as those of diversity of supply, it is on the record as saying it hopes the nuclear programme will be further developed.

National Power's planning application, to be submitted to Mr Cecil Parkinson, Energy Secretary, contrasts with the CEGB's prolonged hesitation over a series of large new coal-fired stations.

They would be the first in Britain featuring 900 MW generating units, compared with the 660 MW units at the country's most modern fossil-fired stations.

Uncertainty over the coal plants at Fawley, Southampton, and West Burton, Nottinghamshire, follows the failure of the area distribution companies, also on the brink of privatisation, to guarantee them a long-term purchase market.

At the same time, under the privatisation bill, due to receive Royal Assent next month, the boards will have to purchase about a fifth of their power from nuclear stations. The higher price of nuclear power will be supported by a special levy on electricity consumers.

Construction of Sizewell B, the UK's first PWR, began two years ago after the country's longest public inquiry, lasting two years and three months.

According to National Power, the work is going to plan and the station should come on stream in late 1994.

Like Sizewell B and C, the other two proposed PWRs are also adjacent to existing nuclear plants – at Hinkley Point, Somerset, the subject of a current public inquiry, and Wylfa, Anglesey.

Sizewell B is expected to cost £1.7bn, but National Power says that the Sizewell C plant will turn out £350m cheaper if it can start work on it by 1991.

Hinkley Point and Wylfa would also be cheaper than Sizewell B since, like Sizewell C, they replicate many of the features of the first PWR.

○ The Energy Department yesterday described as "rubbish" a claim by the environmentalist groups Friends of the Earth and Greenpeace that plans were being finalised to develop 10 PWRs by 2010.

Hinkley N-plant 'boost to area'

Financial Times Reporter

CONSTRUCTION of the proposed Hinkley Point C nuclear power station would boost the economy of the south-west of England by £300m, according to the Central Electricity Generating Board.

It has told the public inquiry into plans for the £1.47bn pressurised water reactor (PWR) that about half of the 3,500 jobs created during the construction period would be filled by people living in the region.

The board says up to 1,000 further jobs are likely to be created in other businesses as a result of orders from the power station site.

Mr Michael Gammon, the board's head of generation development, said at the inquiry last week during three days of cross-examination that orders for materials and services would be placed with local sub-contractors, whenever that was commercially possible.

He rejected claims from objectors that local concerns might be seriously affected if employees were to leave and take up higher-paid jobs on the construction site.

Mr Gammon said money would be given to community projects in Somerset to help to compensate local people for the disturbance from the construction phase.

About £500,000 has already been donated in a similar scheme set up as a result of the construction of Sizewell B in Suffolk, Britain's first PWR nuclear power station.

Broadcasting deregulation plan due this week

By Raymond Snoddy

MR DOUGLAS HURD, the Home Secretary, will this week present the main outline of the Government's controversial plans for the deregulation of British broadcasting. A statement might come as early as tomorrow.

Although the content of the bill, expected to be introduced to Parliament late this year, is radical, there is a considerable element of compromise in the backing off from many of the proposals in the white paper published last November.

At the heart of the legislation was the highest-bid auctions for commercial broadcasting licences. The quality criteria that all potential bidders will face will be significant and there will be a limited power of review by the Independent Television Commission, the body that will replace the Independent Broadcasting Authority.

The review will be conducted if there is reason to expect that auction winners cannot carry out what they have promised.

The present format of the ITV system – 14 regional companies, two London companies split between weekdays and the weekend and a national breakfast franchise – will stay approximately the same. Any changes will be left to the discretion of the ITC although the Government will make clear its support for ITV's present regional diversity.

The Government has dropped for the time being its determination to offer a separate national commercial night-time franchise after midnight, although that remains a longer-term aim. It has been accepted that a stand-alone night-time franchise would not be commercially viable at the moment.

The Home Secretary will make clear that the Government has accepted a degree of financial underpinning for Channel 4 to protect its programming remit. The preferred route is that Channel 4 should be operated by a non-profit-making trust, although alternative suggestions are still being sought. Privatisation of Channel 4 has been ruled out and the Government is not keen that the channel should be a subsidiary of the ITC.

The Government is even backing off from its white paper suggestions that Britain's broadcasting transmitter system should be privatised and broken up into competing regional companies.

The preferred option now is the creation of two national transmitter companies split along geographical lines. But nothing may happen on transmitters until the renegotiation of the BBC's Royal Charter, which runs out in 1996.

Estate agencies face bleak times

David Barchard looks at casualties of the property market decline

THESE ARE bleak times in the estate agency business. With interest rates high and the housing market in recession, the large estate agency chains built up over the last five years are struggling to survive.

For the newcomers to the industry, particularly building societies, fortune has been especially cruel. The three largest building societies entered the market in 1987, making investments intended to bring returns in a year or two. Instead, they now find themselves sustaining heavy losses.

A single bleak and unsurprising message is coming from all the leading chains: business is slack and large trading losses look inevitable this year.

"The market is currently about 50 per cent down on a year ago. It is very disappointing," says Mr Tony Stoughton-Harris, head of Nationwide Anglia Building Society's chain of 460 agencies.

Even the strongest players are endangered. Lord Hunt, Prudential chairman, gave a warning last week that Prudential Property Services, the group's insurance chain, was set to make an operating loss this year unless there was a recovery in the housing market in the near future.

Nationwide Anglia, which a year ago made a loss of over £3m, earlier this month disclosed losses totalling more than £12m from its estate agency operations in the year ending in April.

Most of its rivals are more coy about publishing their own losses.

Cornerstone, the chain owned by Abbey National, the second largest building society, is thought to have lost about £7m last year and, according to City analysts, looks on course for heavier losses this year, perhaps as high as £25m.

In fact all "big three" building societies – Halifax, Abbey National, and Nationwide Anglia – will be lucky to escape losses of more than £20m on their estate agency operations.

Even so, no one is yet talking of cutting their losses and withdrawing. Building societies and insurance groups entered the estate agency business less for its intrinsic profitability than to protect their share in the mortgage and insurance markets.

"Obviously the market is marking time at the moment, but our intentions are long-term and we see present market conditions as only a slight hiccup," says Mr John Wilson, development services manager of Halifax Estate Agents.

Halifax spent around £110m on buying estate agencies last year and had originally planned to continue at full throttle this year.

Now Mr Wilson says that the main expansion is over. The 650 agencies it owns may pass 700 by the year end, with expansion in the Thames Valley and West Midlands.

As a sign of its commitment to the estate agency business, last March Halifax gave all its agency operations a common brand name and logo as Halifax Estate Agents and launched a high-profile advertising campaign on television.

Halifax says its advertising is aimed at communicating the ways in which house purchase can be initiated to first-time buyers, whom it describes as "most vulnerable." In many areas, first-time buyers have largely disappeared from the market.

Behind the campaign lies the ambitious self-proclaimed goal of establishing Halifax Estate Agencies as the most serious player in the estate agency market.

"The record is not all gloomy," says Mr Wilson. "In the first three months of 1989 we supplied 8 per cent of total Halifax mortgages. The north-east was doing record-breaking volumes of business up to the end of April."

AT Black Horse, the estate agency chain owned by Lloyds Bank, Mr Peter Constable, head of Black Horse, says that the south is taking the brunt of the recession. He, like other estate agency chiefs, believes that price reductions are now helping to keep the market alive.

"Price reductions are hitting 10–15 per cent in some areas and even 20 per cent in some cases. But buying and selling works out the same even if companies do drop. We have to make people realise that their position doesn't worsen even if there is a fall in prices on both sides," he says.

This is a striking reversal of conditions at the height of the boom only a year ago, when agents were generally believed to be talking up prices.

Meanwhile estate agencies are trying to trim their staff and costs where possible. Nationwide Anglia got rid of 50 agencies and made 150 employees redundant in January.

Black Horse is also shedding employees and branches. Since December it has shed 26 of its 579 offices and will have cut about 500 jobs by midsummer, although only half of these will have come from redundancies.

No one is anxious, at least at this stage, to cut back too severely and risk losing market share when conditions eventually do revive.

"Estate agencies are a key strategic investment for us and we shall be continuing to invest in them," says Mr Tim Melville-Ross, chief executive of Nationwide Anglia. Other building society chiefs, notably Mr Jim Birrell at Halifax, say the same.

However, ambitions have been noticeably scaled down. Before the housing recession, Halifax and Abbey National had set their sights on drawing abreast of the three largest UK estate agencies, owned respectively by Prudential, Royal Life, and General Accident.

That goal now seems to have been abandoned, at least for the foreseeable future. For the agency chains owned by building societies are still young and in need of further investment. Abbey National, for instance, is expected to pump £5m into Cornerstone this year for new computer systems.

The outlook in the housing market is not entirely bleak. With real incomes rising by 2-3 per cent a year in spite of the decline, many lenders and estate agencies believe that when recovery comes, it will be strong.

But the months ahead look distinctly cheerless.

BMA attacks new guide to top specialists

THE BRITISH Medical Association has criticised a new "good doctor guide", which was published in spite of strict rules preventing medical specialists from advertising.

The guide claims to list 500 "above average" Harley Street specialists. Because of the advertising regulations, author Martin Page says his directory had to be "researched for the most part covertly."

The doctors were chosen by an anonymous committee of senior consultants and medical professors at London's teaching hospitals and postgraduate specialist training centres.

The book claims it will help the hundreds of thousands of people who seek specialist medical treatment each year.

But the British Medical Association warned there was a risk of patients ignoring GPs and referring themselves directly to specialists.

"Patients would be guessing what was wrong with them and could run up several bills by going to the wrong person," an official said.

The Good Doctor Guide. Martin Page. Sphere Books, published June 15. £12.99.

Water quality drive 'risk to privatised companies'

By Richard Evans

THE PRESSURE for ever-rising standards of water quality is causing growing concern among leaders of the UK water industry as privatisation approaches. They believe the capital investment costs, which will have to be passed on to the consumer, might be disproportion to the benefits and might jeopardise the prospects of the newly floated companies.

At least one of the 10 authorities in England and Wales has approached Mr Nicholas Ridley, the Environment Secretary, seeking an independent inquiry into the technical needs of the industry so as to develop a more realistic framework for investment.

An inquiry would assess the scientific evidence for improvements in drinking water quality and sewage treatment and reach a judgment on the costs and benefits to the customer.

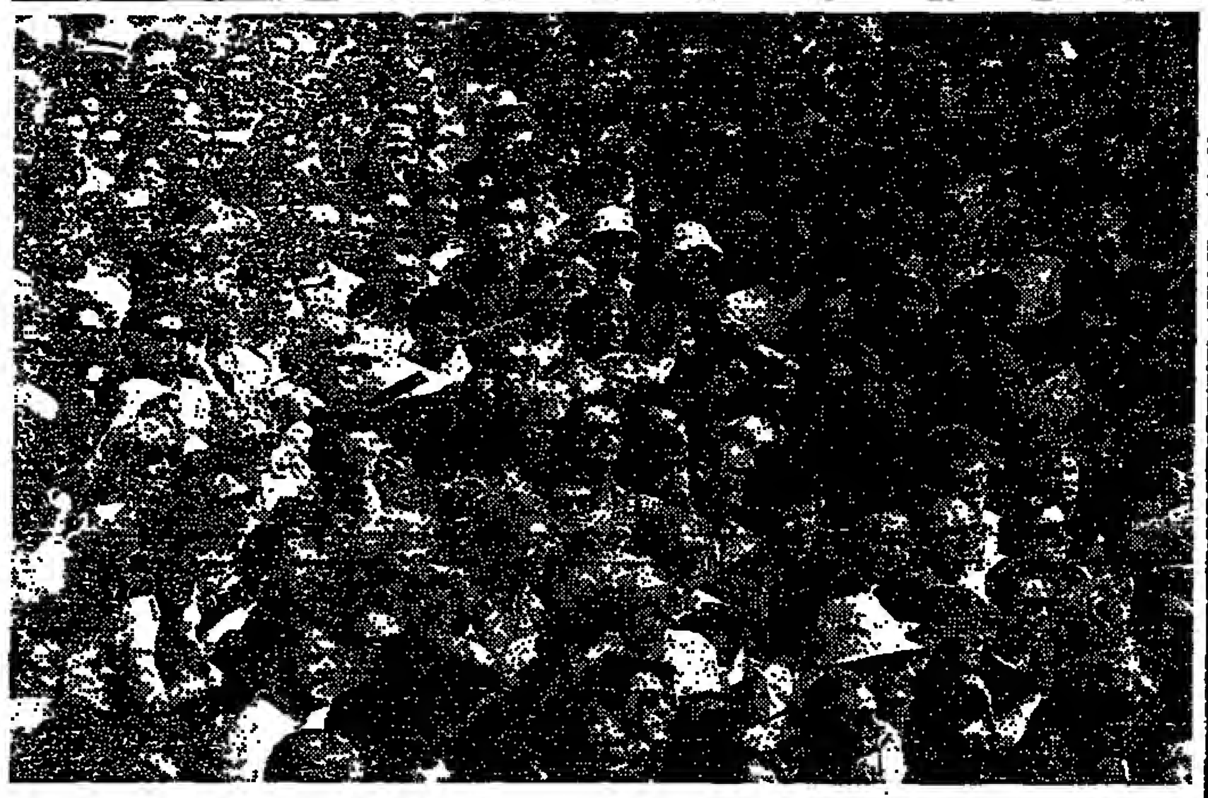
At present, industry leaders believe there is a bandwagon under way which is getting out of control. Many of the improvements demanded, they argue, are of dubious benefit and the cost of achieving them might be out of all proportion to the resulting benefits.

The question the industry is asking is whether some of the billions of pounds required to improve quality to the level deemed necessary could not be better spent elsewhere, either within the industry on alternative infrastructure projects, or on additional health, education or transport services.

Mr Ridley and Mr Michael Howard, Minister for Water and Planning, are thought to be sympathetic to some of the arguments being put forward, but feel increasingly hemmed in, particularly from Brussels. The Government is continuing to negotiate with the EC on the deadlines for introducing a range of quality improvements.

Nevertheless, the Government is expected to seek to reverse in the Commons the recent Lords defeat on the Water Bill, advancing to 1993 the date for meeting the EC water quality directive.

The industry believes such a deadline would be impossible because of the scale of engineering infrastructure work required on new pipe networks and water treatment works.



Rallying cry at the Rose

AS PROTEST rallies go it was rather refined. About a thousand people gathered in the afternoon sunshine at Southwark in London yesterday to wave red roses, listen to Shakespeare's sonnets and campaign for the preservation of the remains of the Rose, the Elizabethan theatre where some of Shakespeare's plays were originally performed.

The day began with a rendition of Shakespeare's first sonnet and continued with a performance of Hamlet – The Paperback, a potted version of the original, starring Timothy Dalton, who had taken time off from promoting the new James Bond film.

Ian McKellen (right), one of the leading Shakespearean actors, acted as master of ceremonies in a Save The Rose T-shirt and panama hat. "Wilful damage is planned," he declaimed in the sonorous tones usually reserved for the Bard's most tragic scenes.

The crowd (above) was composed of the sort of people who gave bigger cheers to Dame Judi Dench, grande dame, of the London stage, and Peter Brook, the avant garde director, than to Leslie Grantham, who used to play Dirty Den in EastEnders.

Thespians dominated the day. Although theatrical historians, archaeologists, an MP and even a genuine Southwark resident joined them on the stage.

The hero of the hour was one of the leading lights of the Bolshoi Theatre in Moscow who – brimful of the spirit of perestroika – referred to the Rose, through his translator, as "an example of the ecology of the human heart."

We shall soon see whether the Prime Minister, the mandarins at the Department of the Environment and the property developers, can be persuaded to agree.

Report: Alice Rawsthorn
Pictures: Glyn Genin

UK staff beat US on fitness

By Joel Kibazo

EMPLOYEES IN the UK show more interest in fitness than their US counterparts, according to a survey published today.

The survey, carried out by Manufacturers Hanover, the US merchant bank, shows that the number of UK employees participating in company fitness plans rose from 15 per cent in 1987 to 32 per cent in 1988, surpassing the US average of 23 per cent.

Mr Paul Maloy, UK senior vice-president of Manufacturers Hanover said: "It seems that British companies have now got the fitness 'bug'."

The survey investigated attitudes to corporate fitness in over 1,205 companies that took part in Manufacturers Hanover's 1988 Corporate Challenge series of 3.5-mile races for people in business and financial institutions.

Among UK companies that took part in the London race, 28 per cent provided a fitness programme for their staff. Of that figure, 48 per cent of the companies offered their staff membership of a health club, and 29 per cent had their own facilities.

According to the survey, 46 per cent of the UK companies offered employees fitness programmes at a reduced rate as a staff incentive and 38 per cent of employees interviewed acknowledged that this incentive played an important part in their decision to work for the company.

The growth of fitness programmes in the US had been slower, the survey said, with only 25 per cent of US companies offering them.

However, 49 per cent of US companies offered the facility free of charge, and 38 per cent of employees interviewed cited that as an important staff incentive.

Satellite TV 'will become major force'

By Raymond Snoddy

SAATCHI & SAATCHI, the advertising and consultancy group, believes that more than 8m, or 44 per cent of British homes, will have satellite television receiving equipment by the end of the century.

The forecast comes in a study, Television in Europe to the Year 2000, published by the advertising group.

Saatchis suggest that cable and satellite-delivered television channels will become a major force in the television market, generating $4.5bn (£2.86bn) in advertising revenue in constant 1988 prices in the year 2000.

Saatchi also claims that 418,000 homes in the UK will acquire satellite receivers this year. That seems an optimistic figure, given that best current estimates suggest a figure of fewer than 100,000.

Mr Rupert Murdoch's Sky Television has had a slow start and rivals British Satellite Broadcasting, a company in which Pearson, publisher of the Financial Times, has a stake, has had to postpone the launch of its three-channel service from next September to spring, 1990, because of technical difficulties.

Saatchis says that European television advertising expenditure exceeded $10bn last year and should reach $26bn in 1988 prices by 2000.

As a percentage of gross domestic product, advertising will reach 0.35 per cent in the year 2000 (0.20 per cent in 1987). The US percentage in 1987 was 0.54 per cent.

Saatchis believes that television advertising will also expand as a proportion of total advertising spending, as more commercial air time becomes available in countries where it is currently constrained, such as West Germany, Sweden, Switzerland and Belgium.

Television in Europe to the Year 2000. Saatchi & Saatchi, Berkeley Square, London W1X 5DH. £100.

Court appoints special manager

AT THE REQUEST of the Department of Trade and Industry, a court has appointed a special manager to administer companies controlled by Varia Holdings and Royco Investment. The two groups share the same management and have been selling high-interest bonds since about 1986.

The DTI confirmed yesterday that a special manager had been appointed some time ago, but would make no further comment. Estimates suggest that some £20m has been invested in bonds issued by the companies.

Shorts wins order from Rolls-Royce

SHORT Brothers, the Belfast aerospace company, announced yesterday it had won an order worth more than £50m to supply engine parts for a new generation of Rolls-Royce engines.

The company is to design and manufacture nose cowls for the Rolls-Royce Trent engine, which is the latest development of the RB211-524L engine and is aimed at the large twin and tri-jets.

MANAGEMENT

National Health restructuring

The ambulance service that answered the call

Alan Pike explains how the Northumbria Ambulance Service has contracted out and become more efficient and cost-effective

Outpatients requiring transport to hospital in the north east of England frequently find that a taxi rather than an ambulance arrives to collect them.

Northumbria Ambulance Service has contracted out 48 per cent of its routine, non-emergency work to a private operator, and is saving around £250,000 a year as a result. The Northumbria managers believe in pursuing financial efficiency as a way of funding improvements in the operational efficiency of their essential services.

This has now led them to produce their most ambitious contracting-out plan of all. They are proposing to Kenneth Clarke, Health Secretary, that the Northumbria Ambulance Service – which covers Tyne and Wear and Northumberland – and the ambulance services in the neighbouring counties of Cumbria, Cleveland and County Durham, should become a separate self-governing trust under the Government's proposed health reforms.

When Ministers announced their plans for self-governing hospitals in the white paper "Working for Patients" they had their eyes on big general hospitals. But they accepted that the word hospital could be interpreted to include other NHS facilities and two ambulance services – Northumbria and Lincolnshire – have expressed an interest in self-governing status.

While some of the hospitals which have expressed interest in self-government have done so extremely cautiously, often amid divisions among their staff, the senior managers at Northumbria are openly enthusiastic about the idea.

Self-governing status would give them a range of freedoms, including the ability to raise capital on the open market and negotiate their own terms and conditions of employment for staff, which is not available under the existing centralised NHS structure.

The Northumbria managers regard the idea as the logical culmination of several years' effort to make their ambulance service into one of the most efficient and businesslike in Britain.

A series of extensive changes in the management and organisation of the service began five years ago when the Northern Regional Health Authority, unhappy about the length of time ambulances were sometimes taking to respond to emergency calls, decided that the Northumbria service should be completely restructured.

Laurie Caple, then recently-appointed as Regional Ambulance Officer, was responsible for the restructuring which came into force in December 1984.

It entailed moving from an all-purpose service to a two-tier one by separating accident and emergency work from other transport.

The restructuring involved closing five ambulance stations, reducing the fleet by 73 vehicles to 188 and eliminating 79 jobs.

Yet when it took place – in the face of turbulent opposition from councillors, trade union leaders and sections of the public – the new, separate accident and emergency service began beating Department of Health national recommendations on emergency response times.

Today, the industrial relations battles over the restructuring have subsided and the nine-strong ambulance management team – the equivalent of the service's executive directors – includes a trade union representative who is elected annually by shop stewards and works from an office close to Caple's in the Newcastle headquarters.

In the years since the restructuring all health service managers have been under pressure to deliver cost-improvement efficiency savings in their departments.

Caple had worked in the Norfolk and Devon ambulance services before being put in charge of Northumbria. The use of taxis to transport out-patients is an established practice in such rural counties and he decided there was no reason why a similar approach should not be adopted in the industrial north east.

"I do not see contracting out as privatisation so long as standards are maintained and it makes financial sense. I regard it as making better use of resources in a way which keeps all of us – the ambulance service and the private contractors – cost-efficient and on our toes."

Many out-patients make their own way to hospital without involving the ambulance service. Caple believes the function of an efficient public ambulance service is to provide a specialised hospital transport system of the highest quality, rather than using expensive staff and equipment to augment public transport.

But high quality services cost money and, in addition to the £250,000 saved by contracting out routine work, the Northumbria service has started raising income in a range of novel ways:

- Communi-Com is a paging and messaging service which uses the facilities of the ambulance headquarters' computerised control room. Although priority is given to doctors, midwives and other health service workers it is available to business people in the north east and the scheme is on target to raise £100,000 this year.
- Communi-Aid takes advantage of the facilities of the ambulance training centre to offer first aid training to local employers.
- Northumbria plans to introduce 24-hour working in its vehicle maintenance workshops. Spare capacity will be offered to businesses interested in having cars serviced overnight, eliminating off-the-road time.
- A private ambulance service has been set up by Northumbria to service local private hospitals. "Why shouldn't we get the business rather than some private company?" asks Caple. "The private vehicles will offer facilities like mobile telephones for business people, but standards of care will be exactly the same as for our NHS patients."

The income generation programme will raise £500,000 this year, and is scheduled to reach £1m in 1991. It is concentrating on raising revenue from projects which emphasise the ambulance service's reputation for quality and reliability, says Caple.

Critics might question whether there is a place for such forthright commercialism in an acutely life-or-death part of the public sector like the ambulance service.

Caple responds by pointing to the development of Northumbria's core services which a concentration on efficiency and income generation has made possible.

Accident and emergency activities form only 7 per cent of Northumbria's total work but consume 70 per cent of its costs. As a result of the financial savings elsewhere, the service has been able to justify additional resources to its life-saving activities.

The Northumbria service now has 83 highly-trained paramedics among its crews, compared with none only 2½ years ago. Eventually every accident and emergency ambulance in the area will carry a paramedic.

Since treatment immediately after an incident often determines whether a patient survives, this policy is directly saving lives. And, by stabilising patients by the time they reach hospital, it can also save money elsewhere in the NHS budget.

The service's training budget was £3,500 a year for 750 staff when Caple arrived in Newcastle. It is now £120,000 for 640 staff.

Northumbria's fleet of French emergency ambulances – selected because they were considered to give the smoothest ride – operate on petrol rather than diesel.

Managers say the higher fuel bills are justified by better vehicle performance which again can be life-saving. And the service is now seeking funds to introduce a helicopter ambulance to get seriously ill patients from rural parts of the region to the main hospital facilities in Newcastle more quickly.

Elderly and other non-emergency patients who have to travel regularly to day hospitals have also benefited. They are transported in luxury minibuses with piped music, and the ambulance service tries to ensure that the same staff work regularly with groups of patients to build up relationships.

All patient journeys are planned in advance by computer, with ambulances carefully scheduled to arrive at hospitals and collect patients at the precise times their appointments are scheduled to end. An efficient ambulance service depends on keeping vehicles on the road rather than parked outside hospitals, and this has successfully exerted pressure on doctors to adhere to appointment times.

One of the main purposes of the Government's health reforms is to ensure that hospitals and doctors are aware of the cost of treating individual patients, as a means of encouraging the money and patients to go to the most efficient locations.

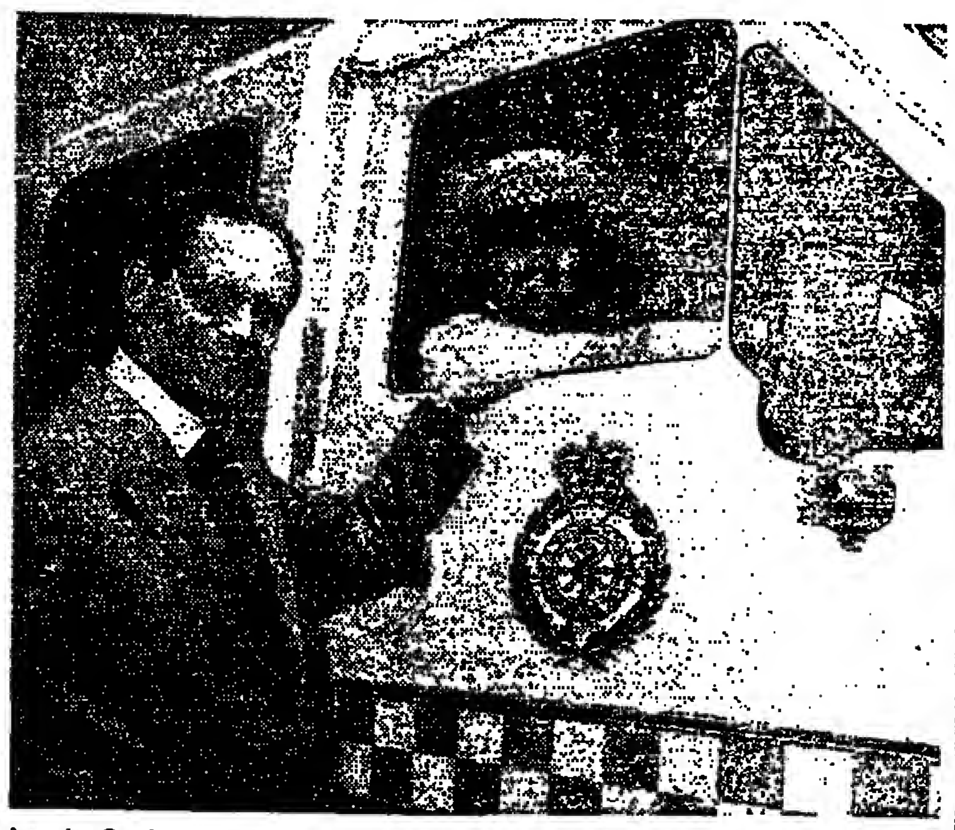
At some stage, the cost of hospital transport will have to be fitted into this calculation. It is by no means an insignificant cost – the combined ambulance services of the Northern region cost around £25m a year to run, equivalent to a large general hospital.

Caple believes the Government's efforts to make individual NHS units more aware of the costs of their activities make ambulance services particularly suitable candidates for self-government. They would be the providers of transport services, selling them under agreed contracts to increasingly autonomous hospitals.

"Self-government would also give us greater managerial freedom, and we would not have to worry all the time about having to hand money which we raise from our improved efficiency back into a general NHS pool.

"There is a much greater incentive to increase your efficiency if you know you are going to be able to use the savings you generate to develop your part of the business, rather than support managers elsewhere in the NHS who have not bothered to seek any savings themselves.

"In this part of the service we have shown that we can bring our costs down while improving the quality of the service we provide. We believe that demonstrates our ability to manage our own operation in a more direct way."



Laurie Caple: the Northumbria service now has 83 paramedics among its crews compared with none 2½ years ago

Work experience

Missed opportunity

David Thomas reports on the limited uptake by industry of a graduate/executive shadowing scheme

The behaviour of Britain's manufacturing companies is sometimes a little baffling. Consider their response to the need to attract a smooth flow of the best young graduates.

This is widely seen as one of the most acute problems facing large employers. The number of 18-20 year- olds is set to go into sharp decline, with no sign of any compensating let-up in demand for graduates.

The demographic time-bomb, as this growing mismatch is now known, is likely to affect the industrial sector more than most. Manufacturing companies need to overcome their traditionally poor image among undergraduates. They will have to sell themselves hard if they are to match the glamour and perks of employers like those in the City, media and accountancy.

So what do they do when offered a chance to forge close links with one set of high-flying undergraduates? A thorough analysis* published this month of the work-shadowing scheme run by Cambridge University Industrial Society does not make happy reading.

Work-shadowing is a simple concept designed to break down myths about particular jobs. Young people ("shadows") observe employees ("guides") going about their business. Ideally, the shadows are allowed to follow their guides wherever they go, including into confidential meetings.

The idea caught on with schoolchildren in 1986 during Industry Year. Cambridge's industrial society was among the first to organise a scheme for students when it launched this exercise in January 1987.

The Cambridge report was written by Andrew Jack, himself a shadow while at the university and now a visiting fellow at Harvard. Jack analyses the experiences of over 150 shadows, who spent two to five days with guides on Cambridge's first four placements.

The story shining through is one of overwhelming success. All the students said they would recommend shadowing to others, while most of the executives have agreed to be shadowed again.

The Cambridge report does not skate over problems such as the failure of some companies to prepare themselves adequately and the occasional student grumble about the passive nature of work-shadowing. But most of the complaints are niggles which can be sorted out.

The companies stressed the practical gains from their participation. The executives were forced into thinking systematically about their work patterns, while the companies won public relations exposure and, most important, recruits.

Over three-quarters of the shadows said they would apply to their host company for a job. Around two-thirds changed their career preferences. "Previously I had only thought about jobs in the City. I shall now at the very least consider industrial sector jobs equally," was one shadow's comment.

But there's the rub. That student was in a minority because less than a third of the places offered by companies came from manufacturing companies. Many personnel managers turned down a request from Cambridge without giving a reason. "Many who refused were from industrial sectors which traditionally complain of the difficulty of attracting graduate recruits," the report notes acidly.

BOC, BP, Ford, GEC, GKN, ICI, Philips, Procter & Gamble, Shell, Tate & Lyle and United Biscuits did participate. But by far the biggest supporter of the Cambridge scheme was Touche Ross – a fact worth remembering the next time you hear a manufacturer whingeing about accountancy pinching all the best graduates.

Undaunted by the patchy employer response to the Cambridge initiative, the Industrial Society has just launched a national work-shadowing scheme. It is organising a computer-based system, feeding in details of students wanted by employers and of students available from 60 campuses. With the demographic time-bomb ticking away, perhaps more employers will try this novel form of computer dating.

Life At The Top. Publications Department, Industrial Society, 17-23 Southampton Row, London WC1 5HA. £9.95.

LEGAL COLUMN

Solicitors turn up the heat on Bar and judiciary

By Robert Rice

JUST WHEN it looked as though it was safe to forget about the green papers for a month or two, the Law Society has turned up the heat by attacking the Bar and the judiciary for taking a deliberately obstructive line over rights of audience in the higher courts.

Leaving aside for a moment the temptation to ask what else did they expect, quite why Chancery Lane should choose this moment to raise the issue again is something of a mystery.

It is particularly confusing to the substantial body of opinion both inside and outside the Bar, which felt that by banging on about the high principles of the cab rank rule, the right of the judges to determine who should appear before them and the withering away of the Bar, they had succeeded only in shooting themselves in the foot. Clearly Chancery Lane does not agree.

All of the main arguments advanced by the Bar and the judiciary have an element of unreality running through them, it says, in that they ignore the fact that solicitors already have rights of audience in most courts and experience shows that they exercise them responsibly.

Furthermore, they instruct independent counsel in a very large number of cases, both for advocacy and advice, where there is no requirement for them to do so, and there is no reason to believe that will change in the future.

Surely, we know all this? Two points do perhaps bear repeating, however. The cab rank rule, under which barristers must take any client who seeks their services in the field of law in which they practise, is in reality more honoured in the breach than in the observance.

The Bar, nevertheless, has substantially elevated its importance during its recent campaign. All people who wish to practise as advocates whether solicitors or barristers must be bound by the rule, it intones.

The rule is designed to ensure that clients are not denied access to justice, however unpopular their cause, or repellent their crime. In theory, therefore, it is an important safeguard, especially when representation is in the hands of a small, specialist, consultant profession like the Bar.

However, as the society points out, with a wider choice of advocates the importance of the rule diminishes. It has never applied to solicitors and yet there has never been any suggestion that it has been difficult for clients, however unpopular, to find solicitors to represent them.

The society is right. There is no substantial reason why solicitor advocates should be required to practise on their own in order to have rights of audience in the higher courts, when no difficulties have arisen from them practising in partnership so far as advocacy in the lower courts is concerned.

The second point concerns the old chestnut of the large city law firms swallowing up all the Bar's best talent as in-house advocates.

The Bar appeared to have abandoned that line of argument but it was picked up by the judges who said it would lead to the withering away of the Bar.

They suggested that that might even occur, even though using in-house advocates would be more expensive than using outside barristers, on the ground that commercial law firms compete for clients only on quality, rather than on price.

The reality is that the city law firms compete with each other across the board. Clients are certainly looking for quality but they are not disinterested in the price at which it comes.

There is no incentive for city firms to swallow up the Bar's best talent. It makes more sense to leave things as they are

Even the largest City firms are unlikely to have enough work in a particular specialist field all the time to make it worthwhile recruiting leading barristers and they certainly do not instruct the same barrister for all their commercial work. No barrister can be a leader across the whole commercial field.

If firms take on specialist advocates they would either be under-employed in their specialist area or used in areas where they have no special expertise. Clients would not like that either.

So there is no incentive for the city firms to swallow up the Bar's best talent. It makes much more sense for them to leave things as they are and pick and choose the best available specialist from all those practising at the Bar as and when the need arises.

****

AMONG the "foreign devils" beating an understandably hasty retreat from China over the last week have been British and American lawyers who had established a "presence" in the People's Republic in recent years to provide legal advice and assistance to the foreign companies lured there by the period of "socialist modernisation".

Baker & McKenzie has withdrawn its people in Peking, Guangzhou and Shanghai to the safety of Hong Kong, where they will sit it out and see what emerges in the coming weeks.

Lovell White Durrant withdrew its one foreign lawyer working out of the London Export Corporation in Peking in the second week of the student protest, although it still has a number of Chinese lawyers there.

Mr Christopher Smith, head of LWD's China practice, said that when he spoke to them at the end of last week there were signs that people were returning to work.

It was almost certain, however, that recent events marked the end of the period of socialist modernisation and the beginning of a period of ideological fervour and economic stagnation and uncertainty.

Since 1979, China has promulgated a new and comprehensive system of commercial law to reflect the economic and social climate, but while the laws were designed to mirror western systems of commercial law and attract foreign investment, Mr Smith said there were always danger signs present in their wording.

Both the Economic Contract Law (applicable to dealings between Chinese parties and Sino-foreign joint ventures), and the Foreign Economic Contract Law (applicable to dealings between Chinese parties and foreign parties), contain provisions that render a contract void if it is found to be "contrary to public interest".

The 1986 Foreign Enterprise Law is another example of a law with a "let out" designed to cover changes in political climate.

Article 5 says the state will not nationalise or expropriate wholly foreign-owned enterprises but it adds that it may do so in "special circumstances." Mr Smith said that clearly that proviso might have an uncomfortably general application if the situation deteriorated any further.

In the immediate future many companies with staff in China will take steps to repatriate them. Others with imminent deliveries to China will be concerned about delays in opening of letters of credit, or the non-arrival of China flag vessels.

Force majeure clauses were being studied in depth, Mr Smith said, and some companies were taking steps to comply with the time periods specified by Chinese standard form contracts for notification of an event of force majeure.

Certainly lawyers specialising in China trade are going to have their hands full in the coming months looking at existing contracts and planning safeguards to be incorporated in contracts for the future.

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COMPANY NOTICES

OPPENHEIMER MANAGED ASSETS COMPANY ("OMAC")
Société d'Investissement à capital variable
Registered office:
23 rue des Bruyères
L-1274 Howald, Grand Duchy of Luxembourg

R.C. Luxembourg B.25.397

NOTICE OF AN EXTRAORDINARY GENERAL MEETING

The Shareholders of Oppenheimer Managed Assets Company (the "Company") are hereby convened to attend an Extraordinary General Meeting of Shareholders to be held at the registered office of the Company on 28th June 1989 at 2.30 p.m. with the following Agenda:

1. To change the Company's name to "GARTMORE PANTHEON FUND" ("Pantheon").
2. To approve the discontinuation of the policy of applying for Distributor Status with effect from 1st August 1989.
3. To approve:
   a) the change of the corporate year to begin on 1st August and to end on 31st July in each year, starting from 1st August 1989;
   b) the change to the current accounting period which commenced 1st October 1988 to end on 31st July 1989; and
   c) the change of the date of the annual general meeting to the last Friday in November at 11.00 a.m., the first such annual general meeting to be held at 11.00 a.m. on 24th November 1989.
4. a) To approve the change in the currency of expression of the Net Asset Value and of the Dealing Prices of the OMAC Global Income Fund (to be renamed "Pantheon European Currency Bond Fund" and to be expressed in ECU), of the OMAC Pacific Managed Fund (to be renamed "Pantheon Pacific Equity Fund" and to be expressed in Japanese Yen) and of the OMAC European Managed Fund (to be renamed "Pantheon Continental European Equity Fund" and to be expressed in Deutschmark);
   b) To approve the change of the name of the OMAC International Managed Fund to "Pantheon International Equity Fund";
   c) To approve the reduction of the Net Asset Value of the Shares of all Funds outstanding by dividing their net assets by a greater number of Shares so that each Share in each Fund shall entitle the holder thereof to four additional Shares of the relevant class for each Share held;
   d) To approve the proposal to categorise the existing Shares as "Distribution Shares" and to introduce an additional category of shares to be called "Accumulation Shares".
5. To approve the amendment of the Articles of Incorporation of the Company (the "Articles") in order to satisfy the requirements of the Luxembourg Law of 30th March 1988 on collective investment undertakings and to take account of changes to Luxembourg Company Law.

Such changes will effect a number of the present Articles and shall include a restatement of the corporate object, an extension of the duration of the Company, the rules concerning permitted investments and investment restrictions and the Eligible States, stock exchanges and other regulated markets in which investments may be made by the Company.

The full text of the restated Articles, showing the proposed changes, is available for inspection at the Company's registered office and can be obtained from the Company's Registrar, Gartmore Luxembourg S.A., 23 rue des Bruyères, L-1274 Howald, Grand Duchy of Luxembourg Telephone: (352) 49 18 41, Telex: 60791, answerback GARTLU; Telefax: (352) 48 97 22.

Decision on item 2 requires no quorum and may be passed by a simple majority of the votes present or represented, provided that it requires further the approval of a simple majority of the votes of the Shares present or represented of the relevant classes of Shares of the Company. Resolutions on items 1, 3, 4(a), 4(b), 4(c), 4(d) and 5 require, at a first general meeting, a quorum of one half of the Shares outstanding and a majority of two thirds of the Shares present or represented.

The holders of Bearer Shares wishing to be represented at the meeting should deposit their Bearer Share certificates with a bank or broker at least five clear days in advance of the Meeting, at the same time indicating the way in which the Shares are to be voted.

By Order of the Board of Directors.
Gartmore Luxembourg S.A.
Administrator

COMPAGNIE GENERALE D'ELECTRICITE - C.G.E.
Corporation organized under French Law (Société anonyme)
Capital: French Francs 2.950.284.360
Fiscal Office: 54, rue La Boétie - 75008 PARIS
Registered Head Office: PARIS B 542.019.096
SECOND NOTICE TO HOLDERS OF 5½% 1988-1996 BONDS OF ECU 5.000 EACH CONVERTIBLE INTO ORDINARY SHARES OF C.G.E.

The holders of 5½% 1988-1996 bonds issued by COMPAGNIE GENERALE D'ELECTRICITE C.G.E. and convertible into ordinary shares who were called for June 6, 1989, being unable to meet validly for lack of quorum, are again called to a General meeting at 3, rue La Fayette - Paris 9ème (FRANCE) on June 19, 1989, at 11.30 a.m. in order to consider the same agenda as the one for the first meeting, that is:

- Board of Directors' Report
- Approval of the decisions submitted to the ordinary and extraordinary General Meeting of the company's shareholders giving authorization to the Board of Directors to issue, with suppression of preferential subscription rights, the following transferable securities:
  - Shares, with or without warrants, to subscribe shares
  - Warrants to subscribe shares
  - Bonds convertible into shares
  - Bonds with warrants to subscribe shares
  - Transferable securities giving the right to company shares by means of conversion, exchange, reimbursement, presentation of warrant or any other manner.
- Decision on the method of recording the documents of the general meeting.

To permit the bondholders to attend or to be represented at this meeting, the bonds or their deposit receipts, must be deposited at least five days before the date fixed for the meeting, at the offices of the banks having participated in the placing of these bonds and from whom proxies or admission cards can be requested.

THE BOARD OF DIRECTORS

COMPAGNIE FINANCIERE ALCATEL
Corporation organized under French Law (Société anonyme)
Capital: French Francs 340.595.000
Head Office: 12, rue de la Baume - 75008 PARIS
Registered Head Office: PARIS B 542.102.222
SECOND NOTICE TO HOLDERS OF 10¼% 1985-1991 BONDS OF FF 5.000 EACH, CONVERTIBLE INTO ORDINARY SHARES OF COMPAGNIE FINANCIERE ALCATEL.

The holders of 10¼% 1985-1991 bonds issued by COMPAGNIE FINANCIERE ALCATEL and convertible into ordinary shares who were called for June 6, 1989, being unable to meet validly for lack of quorum are again called to a General Meeting, at 3, rue La Fayette - PARIS 9ème (FRANCE), on June 19, 1989 at 11 a.m., in order to consider the same agenda as the one for the first meeting, that is:

- Board of Directors' Report.
- Approval of the proposition of the merger concerning the absorption of COMPAGNIE FINANCIERE ALCATEL by COMPAGNIE GENERALE D'ELECTRICITE (C.G.E.) with a capital of 2,950,284,360 French Francs, and whose head office is located at 54 rue la Boétie, 75008 PARIS (Company Commercial Register B 542.019.096), with the responsibility of the absorbing company for bond issue 10, 25%, 1985.
- Powers to be conferred for the execution of the required formalities.
- Decision on the method of recording the documents of the General Meeting.

To permit the bondholders to attend or to be represented at this meeting, the bonds or their deposit receipts, must be deposited at least five days before the date fixed for the meeting, at the offices of the banks having participated in the placing of these bonds and from whom proxies or admission cards can be requested.

THE BOARD OF DIRECTORS

SAVE & PROSPER FINANCIAL SECURITIES FUND

Coupon 156 falls due for payment on 18th July 1989 at a rate of 1.17p per financial securities fund unit.

Coupons should be presented to:

Stock Department,
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P.O. Box 348,
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London N1 8XL

from whom listing forms can be obtained.

Coupons may also be lodged at 67 Lombard Street office.

Coupons must be lodged by an authorised depositary and left three days for examination.

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Notice to the
Holders of Warrants 1986 - 1989
Security Identification No. -075 197-

Notice is hereby given to the holders of Warrants 1986 - 1989 of Osterreichische Länderbank Aktiengesellschaft of the reduction of the exercise price from AS 391.- to AS 389 for one participation certificate in the nominal value of AS 100.

Vienna, June 1989

Osterreichische Länderbank Aktiengesellschaft.

CONTRACTS & TENDERS

TENDER FOR SPARE PARTS

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FINANCIAL TIMES
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FINANCIAL TIMES
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CONTRACTS & TENDERS

REPUBLIQUE DU ZAIRE
SOCIETE NATIONALE DES CHEMINS DE FER ZAIROIS
S.N.C.Z.

APPEL D'OFFRES INTERNATIONAL
Nº IPRST 06/89
POUR LA FOURNITURE DE MATERIEL DE VOIE

1. OBJET

La Societe Nationale des Chemins de Fer Zäirois "S.N.C.Z." met en adjudication publique la fourniture de 480,000 attaches élastiques et 15,000 dispositifs anticheminants.

La S.N.C.Z. a obtenu de la Banque Africaine de Développement (B.A.D.) un prêt destine à financer la réhabilitation de la Voie Nationale (tronçon ILEBO-LUBUMBASHI).

Elle se propose d'utiliser une partie de ce prêt pour effectuer les paiements prévus au titre du marché pour lequel le présent appel d'offres est lancé.

2. DESCRIPTION DES FOURNITURES.

Le present appel d'offres porte sur la fourniture CIF SAKANIA ou CIF MATADI d'un lot unique et indivisible constitué de 480,000 attaches elastiques et de 15,000 dispositifs anticheminants.

Le lot étant indivisible, tout candidat est tenu de soumissionner pour l'ensemble du lot.

La S.N.C.Z. sélectionnera l'offre la plus avantageuse du lot.

3. RETRAIT DU DOSSIER D'APPEL D'OFFRES.

Le dossier complet d'appel d'offres peut être obtenu aux adresses reprises ci-dessous à partir du 1er juillet 1989 contre paiement d'un montant de 30.000 FB (trente mille francs belges) payable au compte nº 603-2465045-28 auprès de la Banque "BELGOLAISE" situee 1, Cantersteen, B-1000 Bruxelles (Belgique).

- SOCIETE NATIONALE DES CHEMINS DE FER ZAIROIS (S.N.C.Z.)
Direction Technique - BP. 297 - Place de la Gare, 1 LUBUMBASHI (REPUBLIQUE DU ZAIRE).
Telephone : 22.34.30
- S.N.C.Z. 30, rue de la Bruyère - 75009 Paris (FRANCE).

4. PARTICIPATION.

La participation à la concurrence est limitee aux fabriquants d'attaches elastiques a l'exclusion d'intermediaires.

5. REMISE DES OFFRES.

La date de remise des offres est fixee le 1er septembre 1989 a 15h, au siege social de la S.N.C.Z. à LUBUMBASHI (REPUBLIQUE DU ZAIRE).

PROPERTY INVESTMENT & FINANCE

The Financial Times proposes to publish this survey on:

6th July 1989

For a full editorial synopsis and advertisement details, please contact:

Joanna Dawson

on 01-873 3269

or write to her at:

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London
SE1 9HL

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

IN BRIEF.....

£60m for Birse

BIRSE CONSTRUCTION has been awarded contracts worth over £60m. These include the £3m Mosborough Parkway Stage 11A for Sheffield City Council, a £6.3m Sainsbury superstore in the North East, a £7m retail park for City Grove at Preston, the £8.3m Contract 9 on the North South route in north east London for the London Residuary Body, £2.2m retail store in Croydon for Brixton Estates, a £4m office development in Rochester for East Mercia Estates, and further infrastructure work at Salford Quays valued at £1.5m.

* * *

Orders worth over £50m have been won by the TILBURY GROUP. Contracts placed with Tilbury Construction are worth over £30m, with building orders accounting for over £15.4m, and the remainder being civil engineering. The largest (over £5.2m) is from the CEGB for the 400 kV Sizewell B sub-station. United Kingdom Construction and Engineering Co has orders worth £8.8m, including a contract valued at about £4.5m for BP Chemicals, Grangemouth, to erect 32,400 metres of pipework. Westpile has won orders worth £6.2m, and Tilbury (City) has contracts worth £3.8m.

* * *

Civil engineering group AMEC has been awarded contracts worth £44m. Fairclough Building is to construct a multi-storey office block in Milton Keynes, and Press Construction has won contracts for gas pipelaying and repair in seven districts in Scotland. Fairclough Civil Engineering is upgrading the runway at a Royal Air Force station, and Matthew Hall Engineering is managing the replacement of several lifts on the London underground.

* * *

MYTON, a member of the Taylor Woodrow Group, has been awarded six contacts with a combined value of nearly £24m. The largest, worth £8.2m, is for the construction of a nine-storey air-conditioned office block in Brighton for Taylor Woodrow Property Company.

* * *

WIMPEY HOBBS has won two contracts totalling £3.35m. Resurfacing the runway at RAF Lyneham for Cementation Construction is the larger order, worth over £2m. The other order, worth £1.32m, is for reconstruction of a 6km stretch of the M4 motorway westbound from junction 17, for Wiltshire County Council.

CONTRACTS

Materials trade gap continues to rise

By Andrew Taylor, Construction Correspondent

BRITAIN'S TRADE deficit in building materials has continued to rise, increasing to more than £700m during the first three months of this year.

Last year Britain's building materials industry had a record trade deficit of £2.6bn. This was 28 per cent higher than in 1987.

The trade deficit in building materials last year accounted for more than 10 per cent of Britain's total visible deficit of £20.5bn. In 1981 the building materials trade deficit was just under £400m.

UK construction output, however, has increased each year since 1981, rising by more than a sixth in the last two years. Some domestic building materials have found it difficult to keep pace with rising demand.

The buildings materials trade deficit of £721m in the first three months of this year – the first time the quarterly deficit has topped £700m – was £161m higher than during the first three months last year.

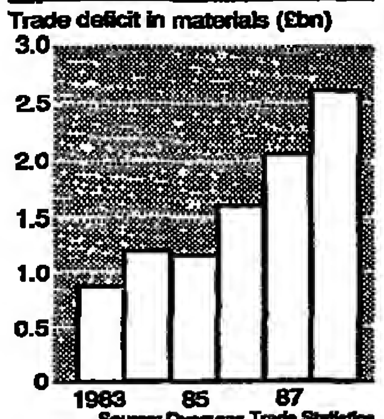
Timber imports, which last year accounted for 38 per cent of last year's building materials trade deficit, dipped to £221m in the first three months of this year. This compared with an import bill for timber of £259m and £272m in the previous two quarters.

Soft woods are widely used in housebuilding but it is too early to say whether the fall in imports in the first three months of this year is due to the decline in housing starts.

Imports of cement, worth more than £30m in the first three months, increased by more than a fifth compared with the previous three months, and by 167 per cent

Construction

Trade deficit in materials (£bn)



compared with the first three months of 1988.

Cement manufacturers, which in the early 1980s had complained about cut-price cement imports being dumped in Britain, have recently begun to import cement themselves to overcome a shortage of local capacity.

The trade deficit on builders' ironmongery, such as door knobs and hinges, was £46.5m during the first three months of this year. Central heating boilers and radiators (£25.7m in the first three months) and glazed and unglazed tiles (£30m) this year seem likely to produce large deficits again.

Low-energy hospital

LAING CROWN HOUSE, a joint venture between John Laing Construction and Crown House Engineering, has been awarded a £21m contract by the Northern Regional Health Authority for the construction of Wansbeck General Hospital at Ashington, Northumberland.

The 270-bed 'nucleus' hospital, built to standard plans produced by the Department of Health, is only the second low-energy hospital project in the country.

Because of improved insulation processes and combined heat and power techniques, including a 55kW wind turbine generator, the hospital will use 60 per cent less primary energy than a similar-sized standard hospital. It will also have the ability to generate 450kW of power.

An advanced building management system, with 532 sensors, will monitor and control the environment in the hospital.

Sunley's spread of work

BERNARD SUNLEY & SONS has won contracts totalling over £35m in London, Amersham, Rickmansworth, Leamington Spa, West Kent and two in Staines.

At Three Rivers Court, Homestead Road, Rickmansworth, Sunley has begun a £14.6m contract to build offices and car parking for Brixton Estates. It has a gross area of 90,000 sq ft of air-conditioned office space in two blocks with 240 car parking spaces. The site includes a multi-storey car park for Three Rivers District Council with 143 parking spaces. The construction will be a reinforced concrete frame, brick clad, with pitched roofs.

The company has started a £5.1m contract to construct a divisional police station which will be the Metropolitan Police "flagship" for East London. The three-storey building plus basement in Forest Gate has a gross area of 3,255 sq. metres. It has been designed in Edwardian style in keeping with this part of London, a designated conservation area.

Sunley has also started work on a £4.5m leisure centre in Archway, for the London Borough of Islington. The complex is due to be completed in October, 1990, and includes a wave-pool; flume-rides; bubble springs; viewing area and a recreational hall.

For Spelthorne Borough Council Sunley is to build a £3.8m leisure centre in Knowle Green, Staines. The work involves tranformation of the swimming pool to create a leisure environment incorporating some of the latest water features while maintaining provision for teaching and training. There is also an extension which includes squash courts, multi-use main hall, ancillary hall, health suite, changing rooms, bar, cafe and social area. The project is planned for completion in April, 1990.

Island site for offices

TRY CONSTRUCTION has been awarded a £3.1m contract to build offices and a car park at Batchworth Island, Rickmansworth, for Grosvenor Square Properties Group. The 27,300 sq ft development, on an island site overlooking the River Colne and Grand Union Canal, will be completed in just over a year. Work began last month. The three-storey building will be centred around a reinforced concrete frame on piled foundations, with traditional brickwork under slated, deep-pitched roofs.

DIARY DATES

PARLIAMENTARY

Today

Commons: Private members' motions.

Debate on plan to televise proceedings of the House.

Motion on EC documents on insider trading.

Lords: Water Bill, report.

Common Land (Rectification of Registers) Bill, committee.

Licensing (Amendment) Bill, Report.

Select committees: Foreign Affairs: subject, Hong Kong. Witness: Sir David Wilson, Governor. (Grand Committee Room, Westminster Hall, 2.15 p.m.)

Home Affairs: subject, Police Complaints Authority's annual report. Witness: Sir Peter Imbert, Metropolitan Police Commissioner. (Room 15, 4.15 p.m.)

Public Accounts: subject, probation service. Witness: Sir Clive Whitmore, Home Office. (Room 16, 4.30 p.m.)

Treasury and Civil Service: subject, Delors Report. Witness: Mr Nigel Lawson, Chancellor. (Grand Committee Room, Westminster Hall, 4.30 p.m.)

Environment: subject, contaminated land. Witnesses: Clayton Bostock Hill and Rigby and Carpenter and Lowe. (Room 21, 5.15 p.m.)

Tuesday

Commons: Local Government and Housing Bill, remaining stages.

Motion on EC documents on broadcasting.

Lords: Statute Law Repeals Bill, *second reading*.

Water Bill, report.

International Parliamentary Organisations (Registration) Bill, second reading.

Wednesday

Commons: Local Government and Housing Bill, conclusion of remaining stages.

Police Officers (Central Service) Bill, remaining stages.

Lords: Debate on Monopolies and Mergers Commission recommendations on the brewing industry.

Control of Pollution (Amendment) Bill, committee.

Question to Government on charges for spectacles and eyesight tests.

Select Committees: Foreign Affairs: subject, Hong Kong. Witness: Sir Geoffrey Howe, Foreign Secretary. (Grand *Committee Room*, Westminster Hall, 10.45 a.m.)

Trade and Industry: subject, trade with Eastern Europe. Witness: Mr Alan Clark, Trade Minister. (Room 15, 10.45 a.m.)

Energy: subject, Energy Department spending plans 1989-90. Witnesses: Sir Peter Gregson and department officials. (Room 8, 11 a.m.)

Employment: subject, part-time employment. Witnesses: TUC officials. (Room 18, 4.15 p.m.)

Home Affairs: subject, drug trafficking and related crime. Witnesses: Metropolitan Police. (Room 15, 4.15 p.m.)

Public Accounts: subject, Northern Ireland matters. Witnesses: Officials from Northern Ireland departments. (Room 16, 4.15 p.m.)

Social Services: subject, public spending on social security. Witnesses: Department of Health and Social Security officials. (Room 21, 4.15 p.m.)

Treasury and Civil Service: subject, Government Information Service. Witness: Sir Robin Butler, Cabinet Secretary.

Procedure: subject, scrutiny of European legislation. Witnesses: Mr George Robertson MP, and Mr George Foulkes MP. (Room 20, 5.10 p.m.)

Committee on a private bill: Birmingham City Council (No. 2) Bill. (Room 5, 10.30 a.m.)

Thursday

Commons: Debate on arts and heritage.

Opposed private business from 7 p.m.

Lords: Electricity Bill, committee.

Treatment of Offenders (Northern Ireland) Order 1989, motion for approval.

Friday

Commons: Private members' *motions*

Lords: Football Spectators Bill, third reading.

FINANCIAL

TODAY
COMPANY MEETINGS-
American Distributors, Durrants Hotel, George Street, W., 12.00
Beattie (James), 71-78 Victoria Street, Wolverhampton, 2.30
Blue Circle, Inn on the Park, Hamilton Place, Park Lane, W., 12.00
Davis (Godfrey), Glaziers Hall, 9 Montague Close, London Bridge, S.E., 11.00
Plasmec, Frensham Pond Hotel, Churt, Farnham, Surrey, 12.00
BOARD MEETINGS-
Finals:
Alexon
BAA
Braithwaite
Bromsgrove Inds.
Clayhithe
Cohen (A.)
Darby
EMAP
F & C Smaller Cos.
Ferguson Industrial
Harrisons
Hughes (T.)
KLP Grp.
Marina Development
Neepsend
New London
Prowting Homes
Racal Electronics
Racal Telecom
Safeland
Unigate
Interims:
Blywood
Burndene
French (Thomas)
Multitrust
Sturge
William (John) of Cardiff
DIVIDEND AND INTEREST PAYMENTS-
Abbey National Bldg Soc 5¼pc Bds 1994 2.5625pc
Allied Irish Banks Fltg Rate Nts 1995 $480.28
American Plastic Technologies 2.5cts
Berry Starquest 2p
Chamberlain Phipps 4.1p
Chevron Corp 70cts
Coles Myer 12.5cts
Eaton Finance NV 12½pc Uns Ln 2014 6.25pc
Exchequer 12pc 2013-17 6pc
Govett American Endeavour Fd 9cts
Govett Strategic Inv Tst 1.5p
Honeywell Inc 52.5cts
House of Lerose 7p
Laird Grp 5.2p
Lanca 1.1p
Lloyds Chemists 0.65p
Martin Currie Pac Fd 0.4p
Mobil Corp 85cts
Squibb Corp 50cts
Thai Inv Fd 10cts
Utd Plantations Africa 5cts
Ward Grp 3.6p
Weir Grp 4.75p
Whatman Reeve Angel 3.5p

TOMORROW
COMPANY MEETINGS-
Associated-Henriques, 8 Long Lane, E.C., 12.00
Baillie Gifford Technology, 3 Glenfinlas Street, Edinburgh, 10.00
Bentalls, Guildhall, Kingston upon Thames, Surrey, 12.00
C.S.C. Investment Trust, New Connaught Rooms, Great Queen Street, W.C., 11.00
Dencora, Waveney House Hotel, Puddingmoor, Beccles, Suffolk, 12.00
El Oro Mining & Exploration, 41 Chevall Place, S.W., 11.30
Exploration Company, 41 Chevall Place, S.W., 11.15
JMD Group, London Marriott Hotel, Grosvenor Square, W., 12.00
King & Shaxson, 52 Cornhill, E.C., 12.15
Martin (Albert), Swallow Hotel, South Normanton, Derbyshire, 12.15
Mecca Leisure, Le Palais, 242 Shepherds Bush Road, Hammersmith, W., 12.00
Silentnight, Silentnight Exhibition Centre, Salterforth, Colne, Lancashire, 12.00
Western Motor, London Metropole, Edgware Road, W., 10.00
BOARD MEETINGS-
Finals:
Alphameric
Cable & Wireless
Cape Inds.
Image Storage/Retrieval
Learmouth & Burchett
Locker (Thomas)
Mercury Asset Mngmt.
Northern Foods
Vosper Thornycroft
Warburg (S.G.)
Wardell Roberts
Interims:
Doelkraal
Doornfontein
Driefontein
Kloof Gold
Libanon
Venterspost
Vlakfontein
DIVIDEND AND INTEREST PAYMENTS-
Bankers Tst New York Fltg Rate Subord Nts 2000 $261.94
Davis (Godfrey) 4.67p
Keystone Invs 3p
LASMO 6p
Lucas Inds 7p
Midland Bank Und Fltg Rate Prim Cap Nts (Series 3) $482.17
Pearson 10½pc Bds 2006 5.25pc
Royal Bank of Scotland Und Fltg Rate Prim Cap Nts $488.6
Tenneco Inc 10cts
Utd Friendly Insurance "B" 21.65p
Wells Fargo Fltg Rate Subord Nts 1994 $261.94

WEDNESDAY JUNE 14
COMPANY MEETINGS-
Austin Reed, 16-21 Sackville Street, W., 12.00
Blockleys, Sommerfield Road, Trench Lock, Telford, Shropshire, 12.00
Early's of Witney, Witney Mill, Witney, Oxfordshire, 12.30
Harrison & Crosfield, Baltic Exchange, 14-20 St Mary Axe, E.C., 11.30
Micro Focus, 26 West Street, Newbury, 12.00
S & U Stores, Plough & Harrow Hotel, Hagley Road, Birmingham, 11.30
Shiloh, Holden Fold, Royton, 11.30
Smallshaw (R.) Knitwear, 51 Druid Street, Hinckley, Leicestershire, 12.00
Upton (E.) & Sons, Swallow Hotel, High Street, Stockton-on-Tees, 2.00
Usher-Walker, Connaught Rooms, Great Queen Street, W.C., 12.00
BOARD MEETINGS-
Finals:
Amersham Intl.
Cater Allen
Cropper (James)
Dawson Intl.
Equity & General
Heath (C.E.)
M & G Second Dual Tst
Mansfield Brewery
Pilkington
Regalian Properties
Salvesen (Christian)
TGI
Waddington (John)
Interims:
Chemring
Hoskyns
Lookers
Saatchi & Saatchi
Sheriff
Watson & Philip
DIVIDEND AND INTEREST PAYMENTS-
Agricultural Mortgage Corp 10¼pc Deb 1992-95 5.125pc
Bank of Tokyo (Curacao) NV Gtd Fltg Rate Nts Dec 1991 $241.72
Banque Nationale De Paris Subord Fltg Rate Nts 1994 £333.46
Bentalls 2.25p
Blockleys 3.2p
Brit Empire Sec & General Tst 0.25p
C.S.C. Inv Tst 4.75p
Citicorp Overseas Fin Corp Gtd Fltg Rate Nts 1994 $261.94
Conversion 9½pc 2002 4.75pc
Leeds Permanent Bldg Soc Fltg Rate Nts 1996 £332.4
Lowland Inv 2p
Nedfibra Fin BV Gtd Fltg Rate Nts 1993 $2567.36
Pearl Grp 9p
Southeast Banking Corp Fltg Rate Nts 1995 $483.44
Travis Perkins 5p
Treasury 10½pc 1999 5.25pc

THURSDAY JUNE 15
COMPANY MEETINGS-
Abbott Mead Vickers, Inn on the Park, Hamilton Place, Park Lane, W., 11.00
Bousted, Westbury Hotel, New Bond Street, W., 12.00
Cussins Property, Savoy Hotel, Strand, W.C., 12.30
Farnell Electronics, Queens Hotel, Leeds, 1.00
Hartons Group, Hotel Russell, Russell Square, W.C., 12.00
Jove Investment Trust, 99 Charterhouse Street, E.C., 12.00
Ladbroke, London Hilton, Park Lane, W., 11.00
River & Mercantile Geared Cap & Inc Trust, New Connaught Rooms, Great Queen Street, W.C., 11.30
Scottish Mortgage & Trust, 3 Glenfinlas Street, Edinburgh, 11.00
Shires Investment Trust, 1 Puddle Dock, Blackfriars, E.C., 12.00
Vivat Holdings, Sherlock Holmes Hotel, 108 Baker Street, W., 10.00
BOARD MEETINGS-
Finals:
British Steel
Chloride
Investment Company
JS Pathology
Johnson Matthey
London Intl.
Scapa
Tams (John)
VSEL Consortium
Interims:
Baltica
Bradstock
Carroll (P.J.)
Colorvision
Lovell (Y.J.)
River Plate & General
DIVIDEND AND INTEREST PAYMENTS-
AECI 5½pc Cum Prf 5.5cts
Amber Day 0.5p
Ashley Grp 0.5p
Atlas Converting Equipment 6.5p
BSR Intl 5½pc Uns Ln 1985-90 2.75pc
Brit Airways 10⅞pc Bds 2008 5.4375pc
Caisse Nat Des Autoroutes 16pc Gtd Ln 2006 8pc
Calfed Inc 30cts
Cummins Engine 55cts
Dana Corp 40cts
Fisher (Albert) Fin NV 5⅞pc Gtd Red Cnv Prf 2004 £18.75
Framlington O'seas Inc & Gwth Fd Ptg Red Prf 1.1237p
GRE 7pc Uns Ln 1988-91 3.5pc
Intl Thompson 20.6cts
Investors Capital Tst 5¼pc Cum Prf 1.8375p
King & Shaxson 6.75p
Do. 5pc Cum 2nd Prf 1.75p
Do. Cum Ptg Pfd 3.15p
LGW 2p
Landu Hldgs 0.9p
Louisiana Land & Expln 25cts
M & G Midland & Gen Tst Fd 14p
Mercantile Hse Variable Rate Uns Ln 1984-89 5.6561p
National Mutual Grp Fin 10pc Nts 1993 5pc
Pacer Systems 3cts
Pennzoil Co 75cts
Royal Ins 11.61pc Nts 1990 5.805pc
St Lawrence & Ottawa Railway Co 4pc Stg 1st Mtg Bds 2pc
Shiloh 1.5p
Sphere Inv Tst 1.187p
TRW 45cts
Treasury 8¼pc Ln 1987-90 4.125pc
Trinova Corp 16cts
Utd Newspapers 13p
Wagon Industrial 7.25p (Net) Cnv Ptg Prf 3.625p
Welcome 1.3p
Whirlpool Corp 27.5cts

FRIDAY JUNE 16
COMPANY MEETINGS-
Bodycote International, Portland Thistle Hotel, Portland Street, Piccadilly Gardens, Manchester, 12.00
Chelsea Artisans, Ember Centre, Lyon Road, Hersham, Surrey, 12.00
Epicure Holdings, Butchers Hall, 87 Bartholomew Close, E.C., 11.00
Evered Holdings, Savoy Hotel, Strand, W.C., 10.30
Hyman, Belfry Hotel, Stanley Road, Handforth, Wilmslow, 12.00
Mtl. Research, Farmers' & Fletchers' Livery Hall, 3 Cloth Street, E.C., 12.00
PWS Holdings, 52 Minories, E.C., 12.00
Systems Reliability, 100 Liverpool Street, E.C., 10.00
Taylor Woodrow, World Trade Centre, 1 St Katharine's Way, E., 11.00
Trielus, 1 Serjeants' Inn, E.C., 3.00
UCL Group, 23 Paradise Street, S.E., 3.00
Whittington, Chetwynd House, 24 St Swithin's Lane, E.C., 10.30
BOARD MEETINGS-
Finals:
Hoskyns Brewery
Interims:
Chrysalis
Hewitt
Strata Invs.
DIVIDEND AND INTEREST PAYMENTS-
Abbey National Bldg Soc 10⅛pc Bds 1990 C$106.54
American Intl Grp 10cts
Bank Leumi (U.K.) Undated Prim Cap Fltg Rate Nts $50.56
Bank of Scotland (Governor & Co of) 2.56p
Bank of Wales 1.8p
Bracken Mines 10cts
Computer People 3.4p
Conrad Hldgs 3p
Kinross Mines 150cts
Mes World 8p
Pennant Properties 1p
Redamec Grp 0.8p
River & Merc Geared Cap & Inc 2.8p
Saker's Finance & Inv Corp 5½pc Cum Prf 5.5cts
Upton (E.) & Sons 2.5p
Do. "A" Non-Vtg 2.5p
Wheeler 1.25p
Winkelhaak Mines 165cts

SATURDAY JUNE 17
COMPANY MEETINGS-
Nurdin & Peacock, Heathrow Park Hotel, Bath Road, Langford, West Drayton, Middlesex, 11.30
DIVIDENDS AND INTEREST PAYMENTS-
Abbott Mead Vickers 4p
Unigate 7¾pc Deb 1986-91 3.875pc

Trade Fairs and Exhibitions: UK

Current
Fine Art and Antiques Fair (01-385 1200) (until June 18) — Olympia

Business to Business Exhibition (01-729 0677) (until June 14)
Business Design Centre, London

June 12-15
INTERKNIT/INTERWEAVE Exhibition (0533 544017) — NEC, Birmingham

June 14-16
Electrical Products Exhibition (01-385 1200) — Olympia

June 21-23
Personal Investment Marketing Show (01-948 5166) — NEC, Birmingham

June 30-July 2
Select Investment Show (06333 76626) — Southampton

July 3-6
Royal Show (0203 696969) — Kenilworth

July 4-6
Fluid Power and Transmission Exhibition – FLUIDTRANS (0923 226210) — Olympia

July 11-13
International Advanced Material & Process Engineering Exhibition and Conference (04868 21231) — NEC, Birmingham

July 17-19
Mobile Satellite Communications Exhibition (01-868 4466) — Queen Elizabeth II Conference Centre, London

Overseas Exhibitions

Current
International Air Show (01-225 5566) (until June 18) — Paris

June 19-23
International Wine, Spirits & Equipment Exhibition - VINITECH-VINEXPO (01-225 5566) — Bordeaux

June 20-25
International Building and Construction Exhibition (045382 8989) — Beijing

June 25-28
International Fancy Food and Confection Show (01-940 3777) — Atlanta

June 25-28
Computer Assisted Radiology international Symposium and Specialist Exhibition (01-920 7251) — Berlin

June 27-29
International Express & Courier Services Exhibition and Conference (0420 87303) — Brussels

July 6-8
International Professional Broadcasting Recording Public Address Exhibition – PRO AUDIOASIA (0494 729406) — Hong Kong

July 18-19
Cologne Fashion Fairs - International Trend Show (01-930 7251) — Cologne

July 27-30
International Furniture Fair & Woodworking Machinery & Furniture Supplies Exhibition (0494 729406) — Bangkok

Business and management conferences

June 12-13
International Business Communications: The brand new product development conference for Europe (01-236 4080) — Gloucester Hotel, London

June 15
Institute of Directors annual lecture given by Mr Nigel Lawson, Chancellor of the Exchequer. — Connaught Rooms, London

June 15
Lawscan: Marketing and promoting your product - getting it right legally (01-831 7547) — Sedgwick Centre, London

June 15
Cambridge Publications: Planning issues for Cambridgeshire in the 1990's (0954 31984) — New Hall College, Cambridge

June 19
Westminster Management Consultants, International Stock Exchange, Panel on Take-overs and Mergers: Share listings and take-overs in the UK - a briefing for French companies and their advisers (0483 740730) — Hotel George V, Paris

June 19-21
Semiconductor Equipment and Materials International's industry forecast conference (01-353 8807) — Hotel Martinez, Cannes

June 19-21
The Economist: Making and managing change and innovation (01-839 7000) — Grand Hotel Saltsjobaden, near Stockholm

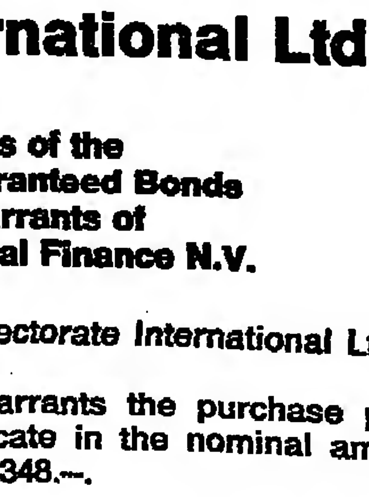
June 22-23
The Association of Corporate Treasurers: Two-day conference and exhibition on information technology and the treasurer (01-936 2354) — Novotel London

June 22-23
British Research International: Crisis facing the multilateral lending institutions in the 1990's: fact of fiction? (01-637 4383) — Cafe Royal, London

June 23
Motor Transport: Setting up in Europe for transport operators. Establishing a base in mainland Europe by acquisition or merger (01-661 3327) — Heathrow Penta Hotel, London

June 26-27
Financial Times Conferences: World Gold Conference (01-925 2323) — Lugano

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published



APPOINTMENTS

P&O board changes

■ THE PENINSULAR AND ORIENTAL STEAM NAVIGATION COMPANY has appointed Mr Tim Harris, a main board director, as executive chairman of P&O Containers. He succeeds Sir Kerry St Johnston, who continues on the board of P&O. Mr Harris remains chairman of P&O Cruises and president of Princess Cruises.

■ Mr A.E.J. Toms, a divisional director in the London branch of McLAUGHLIN & HARVEY, has been appointed an executive director. Mr C.J. Yuill, chairman of Thorbourne, joins as a non-executive director.

■ Mr Andy Leatham has been promoted from deputy to managing director of PREMIER METROPOLIS, a London printer.

■ Ms Valerie Eyre has been promoted to director with SMITH & WILLIAMSON SECURITIES.

■ Mr Philip Stephens has been appointed an executive director in the corporate finance division of UBS PHILLIPS & DREW. He was a managing director of Chase Investment Bank.

■ Mr Robert E. Béale has been appointed general manager of DRESDNER BANK London branch, in charge of the treasury and capital market operations. He was a managing director of Samuel Montagu & Co. He takes over from Mr Walter H. Draisbach who from July 1 transfers to Dresdner Bank Luxembourg to join the board of managing directors.

■ Mr Matthew Gorman has been appointed managing director of THE MARKETING SHOP.

Mr Peter White (*above*) is to become deputy chief general manager of the ALLIANCE & LEICESTER BUILDING SOCIETY on July 1. He is general manager (development and treasury) with responsibility for branch, estate agency, marketing and treasury - in his new post he will add personnel. He succeeds Mr Mervyn Griffiths, who retires on June 30, and becomes a non-executive director of Alliance & Leicester Personal Finance.

■ RELATIONAL TECHNOLOGY has appointed Mr Colin Tenwick as sales director - finance and public division. He was sales manager.

■ Mr Iain G. Dobbie, group director of finance, Reckitt & Colman, has joined BURMAH OIL as a non-executive director.

■ ROCK has appointed Mr Gerard Lakmaker to the board. He is managing director of subsidiary Aiax (UK).

■ LOW & BONAR has appointed Mr John Preston as managing director of Bonar Polythene Films, Leominster. He was director and general manager (plastics) with Nacanco, and American National Can Co subsidiary.

■ Mr Alan Matthews has been appointed group finance director of UNITED INDUSTRIES. He was finance director of Bendix.

■ Mr Malcolm Bishop, divisional chief executive of Cray Communications, has been appointed to the board of the parent company CRAY ELECTRONICS HOLDINGS.

■ STIEBEL OF NOTTINGHAM, part of the Tootal Group, has promoted Mr Brian Wright from production director to deputy managing director. He will add sourcing and planning to his production responsibilities. Mr Peter Marshall, who joins from Camloc (UK), becomes finance director.

■ KLEINWORT BENSON DEVELOPMENT CAPITAL has promoted to executive directors Mr Emyr Hughes, Ms Joanna James and Mr Andrew Pomfret.

■ Mr Robin Howard has been appointed a non-executive director of BOURNE END PROPERTIES. Mr David Newling-Ward and Mr Owen Inskip have resigned from the board.

■ Mr Dennis R. Gamester has been appointed pensions development director of SKANDIA LIFE ASSURANCE CO. He was life and pensions technical director with N.M. Schroder Group.

■ ILLINGWORTH, MORRIS has appointed Mr Michael J. Harris as company secretary.

Mr Martin Nathanson (*above*) has been appointed to the new post of group managing director at MOWAT GROUP. He was a director of W.I. Carr, stockbroking arm of Banque Indosuez.

TSB TRUST COMPANY, Andover, has promoted Mr Guy Whiting (*above*) to finance director. He was deputy actuary and divisional manager marketing development.

■ JOHN MOWLEM & CO has appointed Mr Colin Graidage as commercial director of Mowlem International.

■ Mr Stewart Binnie, managing director of Hatchards, is to become a full-time partner of SCHRODER VENTURES on July 3.

■ RATHBONE BROTHERS has appointed Mr Roy Morris as managing director of its Liverpool investment management subsidiary, Rathbone Bros & Co. Mr Jonathan Ruffer is to become managing director of Rathbone Investment Management, and a director of Rathbone Brothers. Mr Colin Kinloch has resigned as joint managing director, and becomes a non-executive director.

■ Mr T. Harrison and Dr R. Hawley have been appointed directors of ROLLS-ROYCE. Mr Harrison is chairman and Dr Hawley is managing director (operations) of Northern Engineering Industries, of which Rolls-Royce now owns over 85 per cent of the share capital.

■ LONDON & METROPOLITAN has appointed Mr Bruno Dadvisard to the main board. He is managing director of Credit Fonciere Internationale, a Belgian property investment and development company which has a 10.7 per cent stake in L&M.

■ NORWICH WINTERTHUR RE has appointed Mr Leslie Lucas as deputy general manager from January 1 1990.

■ Mr Paul M. Hazel has been appointed group finance director of BOOSEY & HAWKES, Edgware. He was divisional finance director of Brent Chemicals International.

■ OAKWOOD GROUP has appointed Mr Richard Bate, managing director of subsidiary CoxMoore, to the main board as an executive director. Mr Ronnie Gorlin becomes a non-executive director. He was with Arthur Andersen & Co.

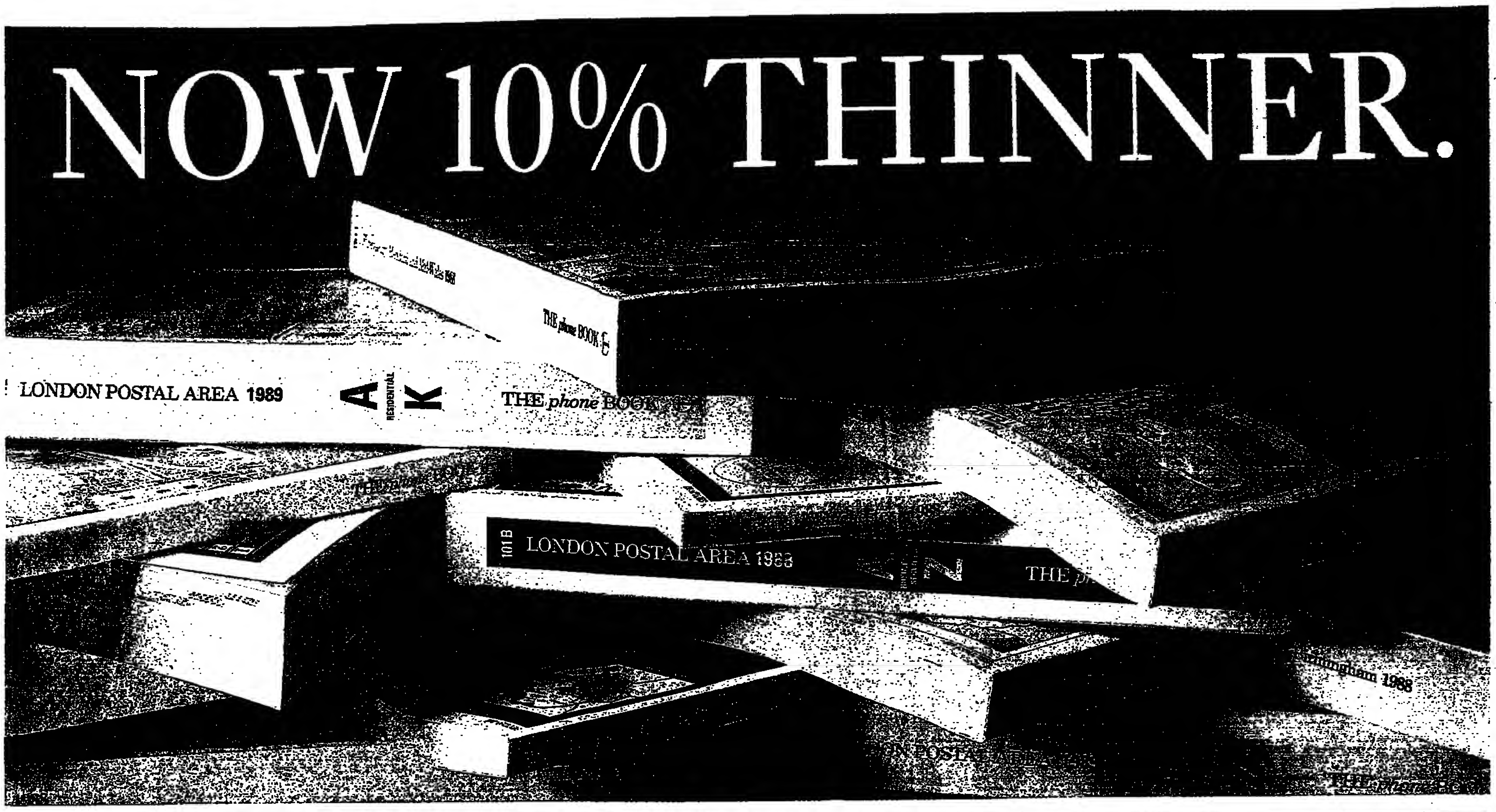
■ HICKING PENTECOST, Nottingham, has appointed Mr Simon Gravett as group finance director. He was group finance director with CoxMoore Group.

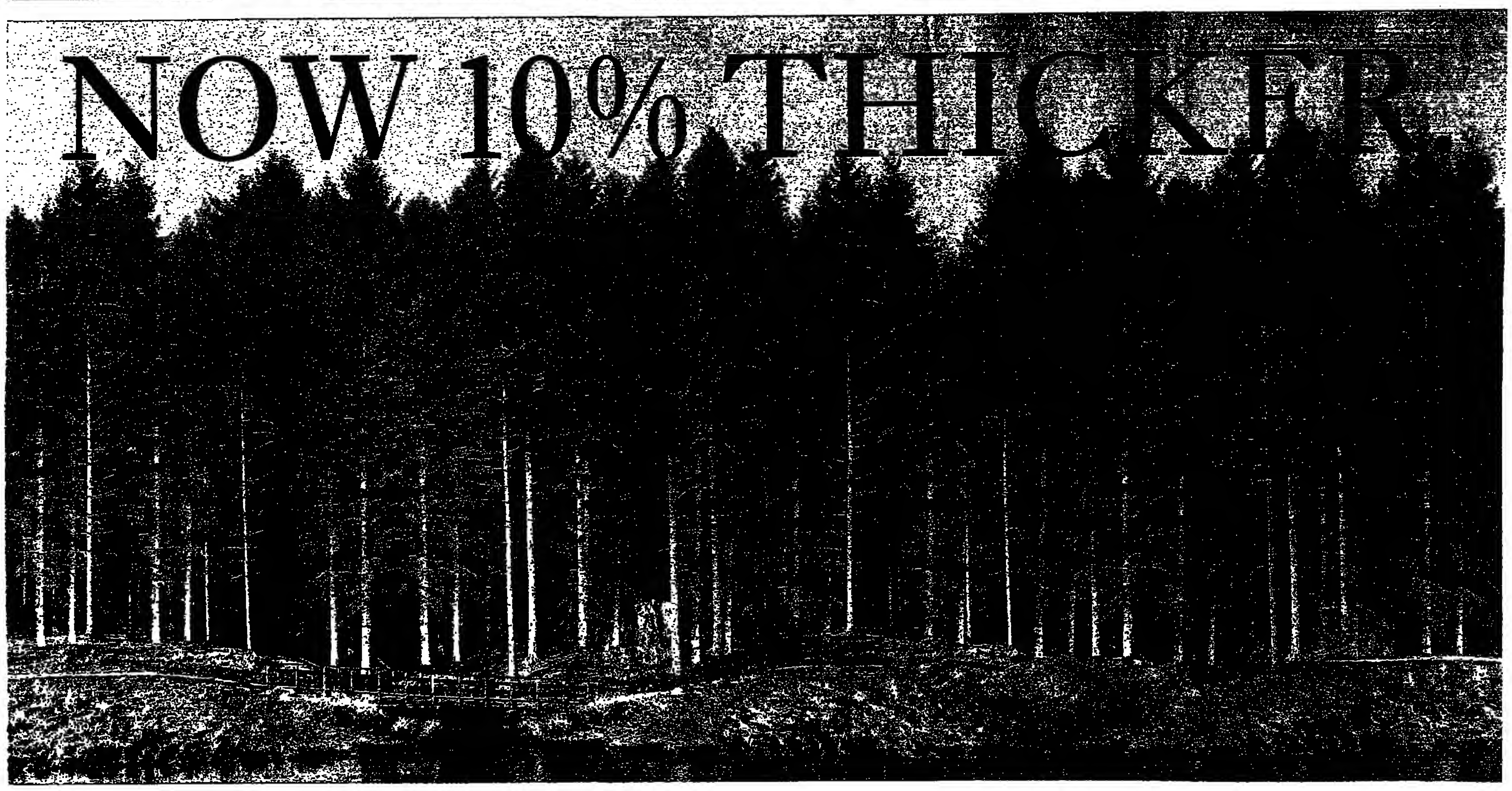
■ BROWN & TAWSE GROUP has appointed Mr Edwin Hartley to the main board. He is managing director of main trading subsidiary Brown & Tawse.

■ B. & C. Insurance Management (Holdings), part of BRITISH & COMMONWEALTH HOLDINGS group, has appointed Mr Ken Rolls to its board and as chief executive of the UK division of B. & C. Insurance Brokers. He was a director of Minet Insurance Brokers (U.K.).

■ Mr John Gilbert has been appointed to the board of EUROPEAN HOME PRODUCTS. He remains group treasurer and company secretary.

Ms Pat Chapman-Pincher, (*above*) head of procurement and distribution for BT Mobile, has been appointed head of a new BRITISH TELECOM division set up to spearhead the development of a personal mobile communications network.





Thanks to a cunning new design, Britain's phone books are now 10% thinner.

That's quite a saving in paper when you realise that 24 million phone books are produced every year (together they weigh more than the aircraft carrier Ark Royal).

In fact, it's a saving worth over £1,000,000. Thanks to these cuts, thousands of paper-making trees will now escape the chop.

Their new design has earned Colin Banks and John Miles the Green Product Award, one of four Better Environment Awards for Industry.

Shell is happy to sponsor these awards. You see, we're keen to encourage others to consider how their activities affect the environment.

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The Better Environment Awards for Industry are administered by the RSA and also sponsored by the Environment Foundation and the Department of the Environment.

ARTS

ARCHITECTURE

Save the City from demolition

Colin Amery is shocked by Mr Ridley's decision about the Mappin and Webb site

The decision by the Secretary of State for the Environment, Nicholas Ridley, to allow demolition of almost the last acre of significant 19th-century architecture in the City of London, is incredible.

He has, after two public inquiries, years of debate and clearly stated opposition from the City of London and English Heritage, allowed Mr Peter Palumbo to demolish all the buildings at the end of Cheapside and Poultry by the Mansion House and to replace them by one block of offices and shops designed by Mr James Stirling. Eight of these buildings are listed and the whole site is in a Conservation Area.

In reaching this decision the minister is apparently following the advice his inspector Brian Bagot published in his report issued after the second public inquiry held a year ago. The report and 20 page decision letter are strange, inconsistent, illogical and weakly argued.

I do not know who Mr Bagot is, but it is clear that, as an architect who has taken up inspecting at public inquiries, he has either been seduced by the arguments of his own profession or his report has been tailored. He has chosen to ignore the wishes of local planners, conservation bodies, distinguished historians. Above all, the view of the man in the street – that the City has lost enough of his architectural heritage – has been cruelly and cynically ignored.

This decision is really a response to a tiny loophole opened up by the letter from a former Secretary of State for the Environment, Patrick Jenkin, which was published after the public inquiry in 1985.

Then Peter Palumbo wanted to build a tower of offices by the architect Mies van der Rohe on a slightly larger site in the development known as Mansion House Square. When Mr Jenkin turned that down he seemed almost convinced by the argument in favour of the retention of these listed buildings. But for this fine group of 19th-century commercial buildings, particularly the much loved Mappin and Webb. But Mr Jenkin left a loophole by saying that redevelopment "might not be ruled out if there were acceptable proposals for replacing the existing buildings."

This was a strong hint that a proposal as far removed as possible from the "glass stump" of Mies van der Rohe might be viewed more favourably. It is Jenkin's loophole that has led to Bagot's law. For the first time totally subjective architectural and aesthetic judgment can now be applied by the inspector to his decision making.

The result of this inquiry means that every developer and architect confronted by a group of Grade II listed buildings can now quote "Bagot's Law."

Instead of asking the question: how can these listed buildings or this conservation area best be protected, which is the way the listed building law now operates, inspectors can make subjective judgments about the quality of the replacement building.

This decision seems to have been taken entirely on the grounds of the inspector's taste. This is particularly curious, as only last week in an impromptu speech at an architectural award ceremony Mr Ridley said: "Who should be the arbiter of taste? It cannot be not the planning committees. It cannot be my inspectors. It cannot be me. You cannot trust the great British public. The Government should have no taste, no style, no views."

All this Government's advice and planning circulars have been strong on the need for planners to keep away from expressing subjective aesthetic views. And yet this most important planning decision affecting the historic heart of the City of London has been decided, apparently, on the modern architectural preferences of an inspector.

The public feels, on the strength of just looking around, that it is difficult to trust architects.

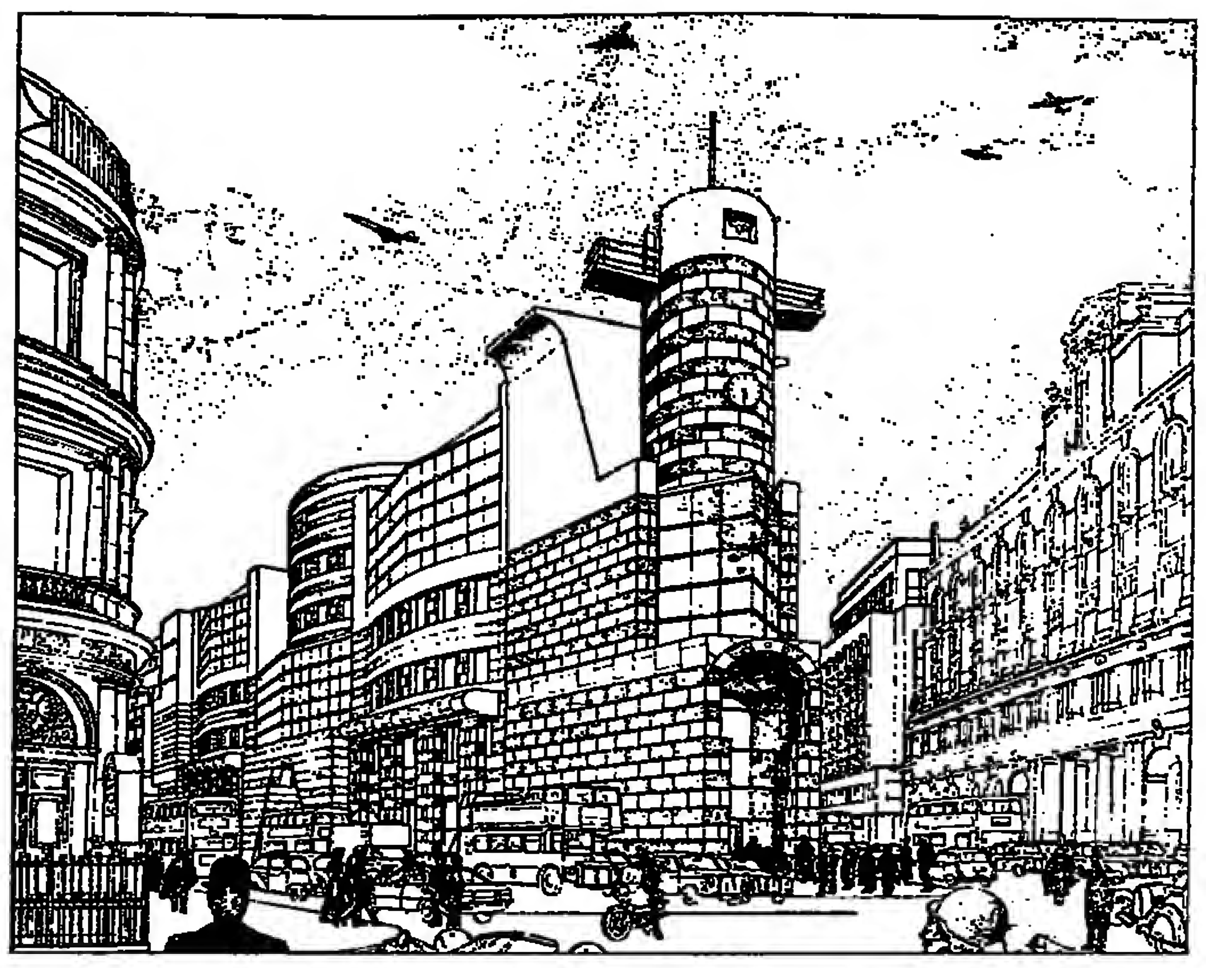
The public also believes that Listed Building legislation is one of the few solid safeguards to protect the environment.

It is not as though there is too much conservation; after all, only two per cent of the entire building stock of the nation is listed. This inspector argues that Grade II buildings, like those on this site, are less important than Grade I buildings. It is hard to escape that particular bit of logic but it is equally hard to argue that Grade II listing is, in itself, an argument for demolition.

In the vicinity of the Palumbo site the National Westminster, Royal Insurance, Scottish Provident and the National Safe Deposit buildings are all listed Grade II. Now they could all be replaced tomorrow provided some currently fashionable architect can be employed to design "acceptable" replacements.

It is not too far-fetched to see the subjective "Bagot's Law" – that the architectural quality of a replacement building is a material matter in any inquiry into the demolition of listed buildings – as a backdoor way of changing Government conservation policy. A curious step for a Government that has just discovered the political significance of environmental issues.

Good architecture need not and should not destroy the best of the past. There are so many sites that are yearning for good new buildings. I am sure that the Secretary of State will be challenged on the validity of the inspector's decision in the High Court. If it is not challenged we shall have to apply the "it might just be a masterpiece . . ." criterion in every future listed building case. The result is not a triumph for one particular patron: it is simply a foolish and potentially dangerous mistake.



James Stirling's design for a City block of shops and offices

Just So

WATERMILL THEATRE, NEWBURY

There are things both promising and seriously wrong with this ingenuous musical based on Rudyard Kipling's *Just So Stories* at the enchanting country theatre – much smaller and more attractive even than Glyndebourne – in Bagnor, Newbury.

It is the work of composer George Stiles and lyricist Anthony Drewe; an earlier draft won the first Vivian Ellis Prize awarded by the Performing Rights Society in 1985. A narrator (Martin Smith), made up to resemble Kipling, ponders how to tell one beast from another. The rest of the cast in white floppy suits gradually assume various animal identities before concluding that individuality is less important than pulling together and loving one another.

Alastair Muir

Charles Millham

This ponderous moral is deduced from the experience of the baby elephant who, instead of learning to stand up for himself by having his trunk tugged into a whisking, spanking instrument of self-defence by the crocodile on the banks of the Limpopo, acquires courage in the jaw-like neon-lit teeth of a symbolic, devouring discothèque. Limpopo a-go-go.

Accompanied by the slinky, jump-suited Kolokolo bird (Sally Ann Triplett), and encouraged by the narrator, the quizzical elephant takes a magic carpet trip through Kipling's exotic topography.

We meet the rhino finding his skin on an island in the Red Sea, supervised by the cake-baking Parsee (the show's best sequence, brilliantly led by Erick Ray Evans); the leopard and the Ethiopian donning disguise in the South African veldt attended by a fur-clad zebra and a pop art giraffe with protruding conical breasts; and the yellow-dog dingo chasing the leaping kangaroo through the Australian desert.

These episodes, set to some very zesty and well-considered lyrics, convey the atmosphere of a David Wood children's musical given a Lloyd Webberish going-over. And like *Cats*, an air of animal crackers and disconnected party turns is not quite channelled into a coherent dramatic vision.

Instead of a rooftop jellicle ball and the salvation of Grizelda breaking through to the heavyside layer, we have a rather more nebulous gymnasium setting (designed by Mark Thompson) with a vaulting horse and a few ladders, scenic and practical, that might have been borrowed from a Deborah Warner production, and the educational rescue of Anthony Barclay's wide-eyed trunk-crawler. The narrator throws in a mellifluous setting of the poem "If" for good measure.

Julia McKenzie's staging in this tiny arena is energetically competent, but the show, finally, is only fitfully enjoyable. Musical invention soon flags (which it never does in *Cats*) and subsides into robotic disco numbers and flatulent moralising choruses.

Still, the cake song and some of the narrator's bridge passages have the unmistakable whiff of talent, and the lyrics, witty and sensitive, are as good as any by Tim Rice or Richard Stilgoe.

Kate Young's musical direction depends on a synthesiser and thus needs microphoned voices, a sacrilege in such intimate circumstances. The cast is uniformly good, from Charles Millham's bombastic rhino to Simon Bowman's cool, moon-walking kanga and Dawn Spence's swishily strutting giraffe.

Michael Coveney

A Midsummer Night's Dream

GLYNDEBOURNE

When Peter Hall arrives at the Heavenly Gates, this Glyndebourne Britten production will surely be sufficient to see him through to the other side. First shown in 1981, and revived in 1984, it came back on Friday for another season's showing, polished up by Hall himself. Once again it takes this particular opera-lover as near a state of bliss as any performance in an earthly opera-house is likely to.

This *Dream* is a feat of almost unparalleled imaginative harmony between producer, designer, and conductor – and, beyond that, between Glyndebourne, Britten, Shakespeare, and Purcell. It is, therefore, an intensely serious experience, and also an intensely joyous one: a vision of knots untied, misunderstandings clarified, and concord established in a world where even the twigs and branches shiver with emotional life. In John Bury's settings, Hall's staging, and Britten's music, the opera becomes a summation of the English virtues – the real, enduring ones, that is.

The balance of the cast (which includes a mixture of original 1981 members and newcomers) has slightly shifted: the quartet of lovers may be less finely sung and acted than previously, but the worlds of the fairies and hard-handed men are delineated with a subtlety and wit beyond all previous achievement. If the revival has a single star, it is the new Oberon, Michael Chance, a countertenor in whom vocal, musical, and poetic gifts are equally assorted. Every word tells; the relationship between this gentler Fairy King and Elizabeth Gale's superbly haughty, glittering Tytania is pierced (as it should be, but seldom is) with disturbing ambiguities. The new Puck, Daniel John, is a fetching Cockney sprat not yet quite strong enough in word-delivery.

Jane Glover, who divided the duties of the 1984 revival with Bernard Haitink, undertakes the whole of this season's *Dream* schedule. I have never before heard so telling, so charged an account of the score as she and the LPO delivered on Friday. The connection between verbal sense, dramatic impetus, and musical colour was pulled taut; it was a performance of richly sensuous effect that was also marvellously light on its feet. At the end of a week full of grandiose operatic disappointments, *A Midsummer Night's Dream* at Glyndebourne was balm to every sense.

Max Loppert

The Lamentations of Thel

ALMEIDA FESTIVAL

The first week of the Almeida Festival has concentrated upon contemporary Soviet music, bringing to London a host of composers and still more British premieres. With luck one should now be able to put more faces to names, and even apply a few approximate stylistic labels, but whether our knowledge of Soviet music since Shostakovich has been fundamentally altered is more arguable. A first impression is that the composers already known here - from the older generation of Denisov, Shnittke and Gubaydulina - had made themselves heard at least partly because they remain the most individual voices; no one so far unearthed at the Almeida remotely approaches the distinction of that trio, and even the two younger composers already partially established in the West, Elena Firsova and Dmitri Smirnov, seem uncertain quantities indeed.

The Russian week came to a climax, if that's the right word, with the British premiere of Dmitri Smirnov's one-act opera *The Lamentations of Thel*, staged (again I use words loosely) by Theatre de Complicité. Complicité's earlier work has earned considerable praise on this page, but evidently the impossibility of breathing dramatic life into the nostrils of this inert piece confounded them. William Blake is a long-running influence in Smirnov's work and *Thel*, based upon a pair of early poems, is a spin-off from his large-scale Blake opera *Thiriel* of 1985. Thel, the innocent, unmoulded soul, is searching for the meaning of life; she fails to obtain satisfactory answers from the Lily, the Cloud or the Clod of Clay, who maintain that fulfilment lies in self-sacrifice, and descends instead to the underworld, where she encounters many more horrors and contradictions, and is ultimately more than happy to escape back to her familiar surroundings. At a pinch it would form the basis of a cantata, but staged, and set to music of studied monotony (main influence - the Britten of *Midsummer Night's Dream*) it seems irredeemable, preserving none of Blake's power and discomfiting pertinence.

Jeremy Arden conducted with as much urgency as he could inject into the score; Jane Davidson as Thel and Andrew Watts as the Cloud led a cast keen to do their best by the work but all their efforts, evidently given voluntarily, seemed sadly misapplied. Smirnov's addiction to Blake also informed his commission for the Nash Ensemble, which the group introduced at the Almeida on Thursday, conducted by Lionel Friend. *Moonlight Story*, based upon a drawing, engages the Blakean forces of good and evil in a fairly schematic piece of instrumental role playing, but again without providing the necessary underpinnings of memorable invention or incisive characterisation. The concert also included the British premiere of Shnitke's completion of the second movement of Mahler's Piano Quartet, cunning, verisimilitudinous, but only a small splinter from that composer's many-faced creative block, and Firsova's Piano Sonata, an appealingly honest homage to Berg, yet pallid and unfocussed.

*

The Soviet composer introduced in Saturday's "Grand Piano Concert" at the Union Chapel was Alexander Rabinovitch, born in Azerbaidjan in 1945 and now an expatriate, based in Geneva and working as a composer and pianist. The works for two and four pianos heard here suggested a meeting between Rakhmaninov and minimalism - ripely romantic harmonic clichés piled up and remorselessly repeated, overlong structures built from arcane numerology and packaged with abstruse programme notes.

The pieces were played here by the composer himself with Valery Fanasiev, Alexei Lyubimov and no less than Martha Argerich, who had earlier partnered the more than capable Rabinovitch in a thrilling, nervy account of Messiaen's *Visions de l'Amen*. Even in the bathroom acoustic of the Union Chapel Argerich's range of colour, and her rhythmic intensity were piercingly fierce, and for her brief solo passage in the fourth *Vision* – an incandescent moment, Messiaen playing of an excitement and flair I have never encountered before – one would have willingly endured the worst that this Soviet series could inflict.

Andrew Clements

Joshua Bell

WIGMORE HALL

It is always a pleasure, and certainly a rare one, when a much-hyped new artist lives up to his or her publicity. The violinist Joshua Bell, now 21, has been doing the international concerto-rounds for some time already; but he appeared last night in serious chamber music, and with serious artists. Though one knew from his recordings that his technique is brilliantly secure (not that this all-French programme showed it off much), Debussy's sonata is exacting in quite another way. Bell rose beautifully to its elusive, delicate challenges, without a trace of virtuoso sleaze.

Much of the sonata is meditative, and he might have paused for breath, or thought, a little more often; and the throwaway ending of the "Intermède" fell flat. The rest had a fine, silvery gleam. Jean-Yves Thibaudet's sturdy virtues do not extend to fine-spun legato nor to really scrupulous pedalling, both of which are essential if French music is to be accommodated on a Bosendörfer.

The Ravel piano trio – grander stuff - was better still: faultless tempi, lyrical generosity, and the inestimable services of the cellist Steven Isserlis. Initially Thibaudet was negligent about matching his colleagues' phrasing, but his bright flair in the scherzo and the finale made amends. About Bell's elegant, idiomatic contribution, my only quibbles were that his *non vibrato* inspiration for the magical string-duet near the end of the Passacaille spoiled his legato, and that his refined tone was occasionally too slender to carry the top line in Ravel's full-blooded textures – against Thibaudet, at least. This was still one of the happiest accounts of the trio I've heard in a long time.

Chausson's *Concert* for piano, violin and string quartet made a triumphant conclusion. If Thibaudet was still inclined to be overbearing (grotesquely forward with his slow-movement accompaniment, for example), his high-romantic spirits in all the solo flights were exactly right. Extravagantly, the splendid Takács Quartet had been enlisted as the supporting band, and of course carried their full weight. And Bell's superb assurance sounded maturer here than in the less flashy pieces. He led a tremendously stirring performance of a work which eminently deserves it.

David Murray

ARTS GUIDE

June 9-15

MUSIC

London

The Philharmonia conducted by Eliahu Inbal, with Cyprein Katsaris (piano). Royal Festival Hall (928 8800) (Tues).
London Symphony Orchestra conducted by Kent Nagano, with Yvonne Loriod (piano). Barbican Hall (638 8891) (Thur).
Cleveland Orchestra conducted by Christoph von Dohnanyi, with Daniel Majeske (violin), Robert Vernon (viola), Stephen Geber (cello). Royal Festival Hall (928 8800) (Thur).

Paris

Arleen Auger (soprano) with Irwin Gage (piano). Théâtre de l'Athenée (Mon) (47426727).
Ensemble Orchestral de Paris conducted by Armin Jordan, with Alicia de Larrocha (piano). Haydn, Dvorak, Beethoven Salle Pleyel (Mon) (45638873).
Isaac Stern (violin) and Robert MacDonald (piano). Théâtre des Champs Elysées (Mon) (47203637).
Nikita Magaloff, piano recital. Salle Pleyel (Tue) (45638873).
Teresa Berganza recital with Jose Miguel Moreno (guitar). Théâtre des Champs Elysées (Wed) (47203637).
Orchestre de Paris conducted by Guenther Herbig, with Alain Moglia (violin). Haydn, Britten, Beethoven. Salle Pleyel (Wed, Thur) (45630796).
Orchestre National d'Ile de France conducted by Jacques Mercier, with Raphael Oleg (violin). Debussy, Lalo, Ravel, Chabrier. Théâtre des Champs Elysées (Thur) (47203637).
Nouvel Orchestre Philharmonique conducted by Rolf Reuter, performing Haydn's Creation. Saint-Germain-Des-Pres church (Wed) (42301516).

Brussels

Queen Elizabeth Violin Contest. Recital by First Prize winner, Vadim Repin (Mon); concerts by other prize winners with the RTBF Symphony Orchestra conducted by Andre Vandernoot (Tues); closing gala with the Royal Flanders Philharmonic Orchestra conducted by Georges Octors (Thur). Palais des Beaux-Arts.

Amsterdam

Royal Concertgebouw Orchestra conducted by Nicolaus Harnoncourt. Schubert, Berio, Beethoven. Concertgebouw (Wed).
Royal Concertgebouw Orchestra, with Alfred Brendel (piano). Haydn, Brahms, Weber, Mendelssohn, Beethoven. Concertgebouw (Thur) (718 345).
Netherlands Philharmonic conducted by Hartmut Haenchen, with choirs and soloists. Beethoven. (Thur) (270486) Beurs.

Cologne

Hermann Prey lieder recitals with pianist Leonard Hokanson. Schubert. Philharmonie (Tues, Wed).

Vienna

Alban Berg Quartet. Beethoven. Konzerthaus (Thur).
Wiener Philharmoniker conducted by James Levine, with Alfred Brendel (piano). Mozart, Stravinsky. Musikverein (Mon).
Chamber Orchestra of Europe conducted by Heinz Holliger. Beethoven, Holliger, Berg. Konzerthaus (Tues).

Rome

Leonard Bernstein conducting Debussy and Richard Strauss. Auditorium in Via Della Conciliazione (Mon, Tues) (6541044).

Florence

Misha Maisky (cello) and Martha Argerich (piano) playing Stravinsky, Beethoven, Mozart and Prokofiev. Teatro Della Pergola (Wed) (2479651).

Washington

National Symphony Orchestra conducted by Mstislav Rostropovich, with Cleopatra Ciurca (mezzo-soprano), Paul Plishka (bass), and the Choral Arts Society of Washington directed by Norman Schribner. Prokofiev programme in final performance of the season. John F. Kennedy Center Concert Hall (Tue) (254 3776).

Tokyo

NHK Symphony Orchestra conducted by Michel Tabachnik. Mozart. Suntory Hall (Mon) (505 1010).
Andrei Gavrilov (piano). Schumann, Chopin. Suntory Hall (Tues) (235 1661).
Radovan Vlatkovic (horn), with Kazue Kojima (piano). Beethoven, Saint-Saens, Rhienberger, Schumann, Dukas. Tokyo Bunka Kaikan, recital hall (Wed) (780 5400).
Tallis Scholars conducted by Peter Philips. Palestrina, Soriano, Allegri, Anerio. Casals Hall (Thur) (403 5871).
Franz Liszt Chamber Ensemble. Telemann, Handel, Boccherini, Vivaldi. Suntory Hall (Thur) (289 9999).

SALEROOM

Still a collectors' market

On Thursday evening Bonhams will hold what could be an epoch-making sale of contemporary ceramics. Included is a pair of altar candlesticks made by Hans Coper in 1965 for the interdenominational meeting house in the University of Sussex. The University is selling them because it is worried about their security, but will devoting the money raised to acquiring more works of art.

The monumental altarpieces are among the largest works created by Coper and a price of about £70,000 is anticipated by Bonham's expert Cyril Frankel. That would be almost double the highest price ever paid at auction for a contemporary ceramic, but underlines the growth of interest in this field in the last two tears. It is still a collector's, rather than a dealer's market. Frankel is encouraging new buyers by including in his sales work by young talented potters whose creations often carry estimates at £100 or less. But all the big names that have made the UK the driving force in 20th century ceramics are on offer – Lucy Rie, Bernard Leach, and more good Coper.

It is an oddity of Japanese collecting that they often prefer western art to their indigenous artifacts. So their museums, both private, corporate and public, are being filled with Impressionist and American contemporary art, Old Masters, and such byways as musical manuscripts, but their own prints and netsuke are often disregarded.

Hence the sale at Christie's in London today of "The Peony Pavilion" collection of tea ceremony wares. It is the only large collection ever offered for sale at auction outside Japan of late Ming Chinese ceramics, which were made in the early 17th century specifically for export to Japan for use in the tea ceremony. They were brighter, more luxurious than Japanese wares of the period and intended for the richer warlords and merchants.

Over 200 lots, acquired in five generations, are on offer, including sets of dishes, plates, flower vases and serving pieces, each with its own fitted storage box. The most expensive item is a blue and white flower vase, which carries a top estimate of £50,000.

There are tax advantages in buying a vintage car – hence the spiralling prices in recent years. On Friday Sotheby's will hold an auction of Rolls-Royce and Bentley cars and automobilia at the Rolls-Royce Enthusiasts' Club.

The most expensive model is a 1924 Rolls Royce Silver Ghost which was built in the US to avoid import duties. It could make £100,000.

Antony Thorncroft

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The refugee dilemma

NOTHING, it seems, can deter thousands of Vietnamese from risking everything by setting out in barely seaworthy boats for brighter shores. The exodus is rapidly building up into a political and humanitarian crisis as the countries of south-east Asia find themselves unable or unwilling to cope with the influx. The problem is at its most acute in the British colony of Hong Kong.

Vietnamese boat people scarcely figure in the league table of the world's 14m refugees. There are only around 75,000 of them unsettled compared with 6m Afghans, 2.3m Palestinians and more than 1m each from Mozambique and Ethiopia. But they command special attention, partly because of the way they travel and partly because of an abiding emotional interest in their plight after the Communist victory in Vietnam.

Refugees are accepted where they land under the principles of "country of first asylum" established in 1979. The country of first asylum either accepts the arrivals as immigrants or holds them pending their acceptance in third countries. Hong Kong has been the principal country of refuge for the Vietnamese but dropped the automatic right of asylum last year. Refugees who cannot prove they are political rather than economic are now held in detention indefinitely or, if they wish, they can put back to sea with provisions.

Voluntary return

So far, the British and Hong Kong Governments have moved only to voluntary repatriation. But only 240 boat people have volunteered to go home. As new arrivals number up to 800 a day the policy of voluntary repatriation has obviously failed. There are now 38,000 waiting, with no early hope of resettlement.

The British Government is moving towards a policy of forced repatriation, hoping that the international conference on Indochinese refugees which begins tomorrow in Geneva will endorse such a move. The argument runs that, emotion aside, the boat people are no different from economic refugees immediately repatriated to central America by the US or to China from Hong Kong.

The argument is not as clear-cut as it seems. Some so-called economic refugees are fleeing not simply from poverty but from an oppressive political system. The US is unlikely to support Britain at this week's conference because it holds to the principle of first asylum for refugees who, like the boat people, are escaping a hostile Communist regime. Yet governments cannot avoid making the distinction between the two types of refugee, however difficult it may be in particular cases.

Poor people from poor countries seeking a better life elsewhere will always be constrained by immigration controls in the richer nations. But there are cases, like that of the boat people, which for political and humanitarian reasons justify especially generous treatment.

Increased quotas

Moreover the Vietnamese are part of a mounting world refugee problem which needs a co-ordinated response. The international community either at this week's conference – or perhaps at a wider conference at ministerial level on world refugees – needs to find a way to share the most intractable part of the burden. If all countries agreed to raise their entry quotas in the most pressing cases, the worst human misery might be eased.

Whatever changes are made in the immigration policies of the industrial countries, there is no possibility of their accepting all who might like to come; in the last resort enforced repatriation may be unavoidable. The industrial countries should seek agreement on policies which can be applied fairly, deal promptly with emergencies and do not raise unrealistic expectations in the minds of potential emigrants.

At the same time governments should put whatever pressure they can on Vietnam to remove the conditions that create the refugees. It is its duty to create conditions of personal and economic freedom in which people wish to stay. There are some hopeful signs, at least on the economic front.

A dirigiste beer policy

LORD YOUNG, the UK Trade Secretary, must shortly decide whether to accept the Monopolies Commission's recommendations for the brewing industry. In March the commission accused the brewers of restricting consumer choice and charging unreasonable prices, especially for lager. The remedies sought were the toughest in the history of British competition law.

The commission said no brewer should be allowed to own or lease more than 2,000 retail outlets: the biggest companies would have to divest themselves of two thirds of their pubs. It also recommended the abolition of future "loan ties" (offers of subsidised loans to secure the exclusive sale of products) and a substantial weakening of product ties: tenants should be able to buy at least one draught beer from the supplier of their choice and be unrestrained in their purchases of soft drinks, wines and spirits.

Regional brewers

The aim was to shift the balance of market power towards the hard-pressed regional and local brewers. But the small companies fiercely attacked the proposals, arguing they would cause a further deterioration in their competitive position. Last week, Mr Francis Maude, junior Trade Minister, sought to allay fears, stressing *that the Government* had no wish to undermine the small brewers. Certain measures, such as the requirement that tenants be able to choose a guest beer and the abolition of product ties on wines and non-alcoholic drinks, would apply *only* to the big national brewers.

The commission's package is *drastic*. But the *evidence* for serious abuse of market power is hardly overwhelming. There are over 200 independent producers with six companies accounting for 75 per cent of the market. Such concentration is not excessive by the standards of other domestic sectors and is positively benign when contrasted with monopoly power in overseas brewing industries.

Beer prices have risen in real terms in recent years, but this is not unusual in a service industry and partly reflects improvements in pub amenities. Surveys do not suggest prices are abnormally high: they are considerably lower relative to earnings than in France, West Germany or Denmark. The ratio of on-licence to off-licence prices is also comparatively low, suggesting that the British on-licence trade is fairly competitive. The ratio of lager to beer prices *has* narrowed rather than increased since the 1970s. Return on capital in the industry is not excessive.

Different outlets

Consumer choice is not restricted just because individual outlets offer a restricted range of products. In some local areas, individual brewers may own too many pubs, but in general product choice can be exercised by moving between different outlets.

Vertical agreements (tenancy arrangements and loan ties) may look oppressive. But they are freely entered into by the parties and can be terminated at relatively short notice. They have *a rationale, which* is to shift financial risk from the small retailer to the larger brewer. There is nothing in economic theory to suggest they are inherently anti-competitive.

In any case, action by Lord Young would be immediately challenged under European Community law, which exempts such agreements from its normal anti-trust provisions. The arguments about product ties are not much stronger, as Mr Maude implicitly conceded when he exempted the smaller brewers from the commission's ruling. But can it be right to enforce different regimes for large and small brewers?

The proposed ceiling on the number of pubs brewers can own looks heavy-handed. Some of the big brewers have already indicated they would rather sell their brewing interests than divest themselves of profitable retail outlets. That could lead to increased concentration in beer production. But why impose on brewers an arbitrary quota of well under 5 per cent of retail outlets? Such action would not be considered in most other markets. Lord Young, while attacking local monopoly power, should reject industrial intervention on the scale the commission demands.

David Buchan examines the difficulties of trying to forge a single labour market in the European Community

Storm cloud gathers over the social charter

A political storm is likely to burst this month over the European Commission's plans to get EC heads of government to endorse a social charter of workers rights, followed up by a legislative action programme to implement it next year.

The first clap of thunder has already come from Mrs Margaret Thatcher, who has denounced the social charter as Marxist interventionism. Mr Norman Fowler, her Employment Secretary, can be expected to echo this today in Luxembourg where he and his 11 EC counterparts meet to discuss the Commission's controversial plans.

But the charter appears to have strong backing from several heads of government, including Mr Felipe Gonzalez, the Spanish Prime Minister and current president of the EC Council of Ministers. He is expected in London soon to tell Mrs Thatcher that he wants to get the charter formally endorsed at the June 26-27 summit in Madrid.

The charter has assumed disproportionate symbolic importance in the eyes of both protagonists and antagonists. The Commission's warning – that mounting popular discontent could scupper the whole internal market project unless workers are given a guaranteed social safety net – is at odds with some of its own evidence. While Commission surveys show that a majority of around 70 per cent believes a social charter to be "a good thing," the same surveys show only a slight rise (to 20 per cent) in the number of Europeans who are worried *about the "negative effects" of 1992.*

Commission estimates that creation of the single market could result in a 2m-5m net gain in jobs may be exaggerated, but last year's 1.2m net increase in employment, the highest annual rise since 1973, has hardly served to dent this optimism.

The UK Government, for its part, has so far chosen to read greater inflexibility and interventionist purpose into the charter than its framers intend. But wars often start precisely because the belligerents misread each other's intentions.

The confrontation has been building for some time. In May last year Mr Jacques Delors, the Commission president, promised the European Trade Union Confederation three things – a revival of the "social dialogue" at the Community level between employers and unions, a European company statute with an optional element of worker participation, and a workers' rights charter. He has more or less delivered on all three promises, though the Commission is still trying privately to get Mrs Thatcher's assent to the company statute before making a formal proposal.

The steam might have gone out of the Commission's social policy drive, but for the West German Government, which held the EC presidency in the first half of last year. Chancellor Helmut Kohl, reflecting his countrymen's fears about having their high wage and labour standards undercut in the coming single market, put social policy into last June's Hanover summit communiqué. Since then, Mr Kohl, who faces a general election next year, has kept up a steady drumbeat of support for EC social action; last week he told his ruling Christian Democratic Union party rank and file that a social charter should be approved this year.

The EC presidency then passed into socialist hands – first Greece in the second half of last year, now Spain, and shortly France for the second six months of this year. No matter that the socialist credentials of Mr Gonzalez and President Mitterrand have in recent years come under fire from their own trade unions; that very questioning probably makes both men all the more inclined towards a socialist gesture on the European stage.

Mrs Thatcher, for her part, seems to have acquiesced in social policy statements at Hanover and at last December's Rhodes summit, perhaps in the belief that such vague verbiage, akin to the social charters of the International Labour Organisation and the *Council of Europe (to which the UK* subscribes), would not be translated into specific action.

If that was her hope, it has been dashed by the appearance of the Commission's draft charter. It is not just its scope (setting, for instance, an EC-wide minimum working age and a maximum work week) that dismays London but also the Commission's explicit intention to use it as a stalking horse for legislative proposals next year.

Ms Vasso Papandreou, the former Greek minister who in her new capacity as EC social affairs commissioner drafted the charter, is quite clear on this. In an interview last week, she stressed that the charter would only constitute "a political commitment, not a legal obligation." But by the same token, she made clear that with or without the charter – and therefore with or without Mrs Thatcher's approval at any forthcoming summit – she would come up with a social action programme in 1990. "This is at the Commission's initiative," she emphasised.

The charter has assumed disproportionate symbolic status *in the* eyes of both protagonist and antagonist

To advance further in the social field, the Commission is not asking for EC treaty changes in the way that the Delors committee has stated would be necessary for progress to monetary union. "We can manage within the treaty," says Ms Papandreou, "provided there is political will and courage."

But there is a worry, not only among UK officials but also in Unice, the European employers federation, that the charter's preamble so ties social rights into the internal market concept that social proposals would *come to be presented to governments* on the same legal basis – permitting majority voting – as internal market proposals.

The present division, under the Single European Act, is that work, health and safety measures can go through on majority vote. But anything relating to social security, migrant workers' rights, equal opportunity and worker participation – and all these issues figure in the proposed charter – *requires unanimity among the* Twelve. Unice lawyers fear that the Commission, probably supported by the European Court of Justice, may blur this distinction.

Setting the legal position aside, what is the rationale for the charter? Ms Papandreou gives several reasons. One is workers' worries about losing their jobs or having to take cuts in their pay or a deterioration in work conditions to avoid losing their jobs to workers in other EC member states. The buzzword for this is "social dumping" – competitive devaluation in the labour market. Fear of this is most prevalent in, though not confined to, West Germany.

The social affairs commissioner readily acknowledges that pay levels must differ among 12 states with such differing levels of competitiveness and productivity, and comments: "It is neither right nor possible for German and Portuguese workers to enjoy the same wages or social security."

Thus, the proposed charter calls for payment of "decent" wages and "adequate" unemployment compensation, but leaves it to existing national arrangements to decide what those levels should be. The charter does not propose that each of the Twelve sets a minimum wage (which five EC states *currently set by statute*), though *it* does call for "a minimum income" for the poor, again up to the individual nation.

"What could be set at the Community level is an overall maximum of work hours," says Ms Papandreou. The charter, in fact, talks of "approximation" here. At present, ten of the Twelve (excepting the UK and Denmark) regulate the maximum work-week by statute, ranging from 39 hours (France) to 48 hours (five states, including West Germany) but the norms in these countries are well inside the maximum.

There are other contentious proposals. One would extend worker participation; however, the UK Government is flatly opposed to any binding EC legislation on this. Another would establish the right to annual paid leave and to a weekly rest period. All Twelve, bar Italy and the UK, lay down annual paid holiday by statute, while in the UK, for example, a weekly rest period is prescribed only for special categories of workers (such as pilots and lorry drivers).

The Commission is also proposing a minimum work age of 16. In only the UK and two other member states is this already the minimum age. It is 14 in Portugal, and 15 in the other eight states.

Trying to harmonise upwards all these differing national labour standards would probably be a very proper response, if national standards of the Twelve were being lowered and/or driven further apart under the impact of the internal market process. But as Ms Papandreou admits herself, social dumping is "more a fear than a reality" at the moment.

With proper provision against undercutting, 1992 *ought to bring* about a more fluid labour market

Investment has been flooding into Spain, for instance, but not because Spanish trade unions are proving a pushover on pay or work standards. West German managers in sectors like cars and micro-chips have been warning their unions that they may have to introduce weekend working to stay competitive with southern Europe. But more recently, however, they have stopped harping on the problems of German labour inflexibility, realising this was scaring potential foreign investors more than their own unions. The metalworkers, for example, are renewing their push for *shorter work hours.*

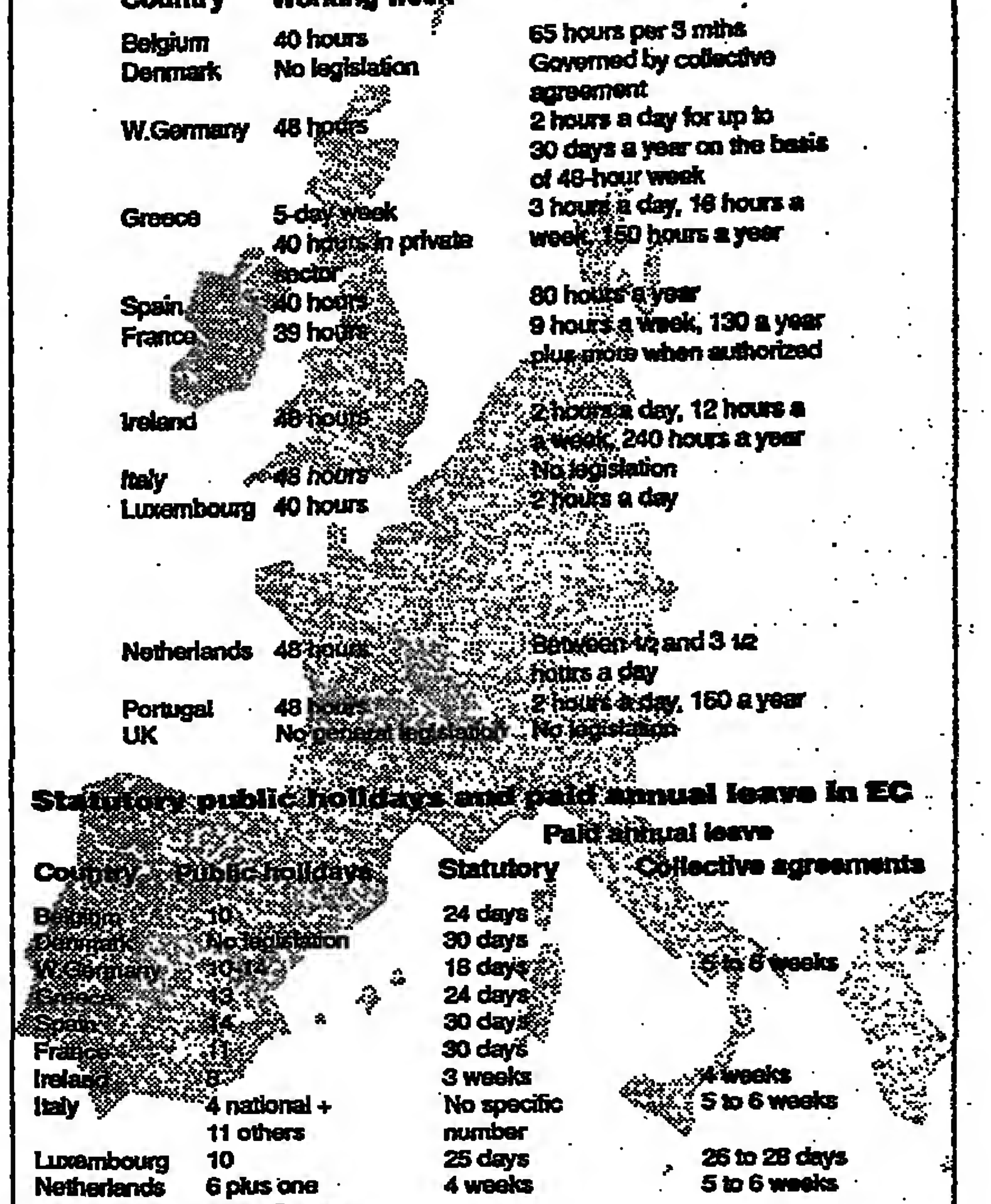
But the charter also has provisions, calling for greater equity and mobility in the EC labour market, to which the UK can hardly object. These call for workers hailing from one EC state but working in another member state to get the same pay and conditions as their host state counterparts.

No one expects a repeat of the mass migrations of the 1960s, when southern Italians flooded north for work, after 1992. None the less, there will be probably be some flows when the remaining transitional restrictions on Iberian workers are lifted in January 1993 and when all public contracts are opened to cross-border bidding.

With proper provision against undercutting, 1992 ought to bring about a more fluid labour market. At present, only some 4.8m EC nationals live in an EC state other than their own; at 1.5 per cent of the total EC population this is a far lower degree of internal migration than one would find in, say, the US. Most foreigners *in the EC – perhaps around 8m –* come from countries outside the Community.

Ms Papandreou stresses the need for EC citizens to be able to take their acquired rights, like pensions, with them when they move to another member state, as well as access to equal social security treatment when they get there. The charter itself calls on member states to accelerate mutual recognition of qualifications. This has been a very slow business, resulting in a minuscule degree of professional migration. Since 1958, for instance, France has received only 763 doctors who qualified in another EC state, even though there are 700,000 doctors in the EC. Last year's mutual recognition of higher education diplomas may, however, speed up the process.

Language, among other *impediments, will prevent* the Community ever having quite the single market in labour that is achievable in other commodities. Trying to improve the labour market, though, is worth a serious discussion, not a serious row.



Statutory regulation of working time in EC

Country	Working week	Overtime max
Belgium	40 hours	65 hours per 3 mths
Denmark	No legislation	Governed by collective agreement
W.Germany	48 hours	2 hours a day for up to 30 days a year on the basis of 48-hour week
Greece	5-day week, 40 hours in private sector	3 hours a day, 18 hours a week, 150 hours a year
Spain	40 hours	80 hours a year
France	39 hours	9 hours a week, 130 a year plus more when authorised
Ireland	48 hours	2 hours a day, 12 hours a week, 240 hours a year
Italy	48 hours	No legislation
Luxembourg	40 hours	2 hours a day
Netherlands	48 hours	Between ½ and 3 ½ hours a day
Portugal	48 hours	2 hours a day, 160 a year
UK	No general legislation	No legislation

Statutory public holidays and paid annual leave in EC

Country	Public holidays	Paid annual leave: Statutory	Collective agreements
Belgium	[illegible]	24 days	
Denmark	No legislation	30 days	5 to 6 weeks
W.Germany	[illegible]	18 days	
Greece	[illegible]	24 days	
Spain	[illegible]	30 days	
France	[illegible]	30 days	
Ireland	8	3 weeks	4 weeks
Italy	4 national + 11 others	No specific number	5 to 6 weeks
Luxembourg	10	25 days	26 to 28 days
Netherlands	6 plus one every 5 years	4 weeks	5 to 6 weeks
Portugal	12	21 to 30	
UK	No legislation	No legislation	20 to 27 days

OBSERVER

Intelligence links

■ Raymond Seitz leaves London tomorrow after five years as deputy chief of mission at the American Embassy. He will become Assistant Secretary for European and Canadian Affairs at the State Department – an even bigger job than it sounds, for it includes not only East-West relations but also trade and monetary policy.

Seitz knows a lot about Britain. He was here in a more junior capacity in the second half of the 1970s. "Those were the darkest days," he says. "You could not find a Brit who had a good thing to say about the place. It was shabby, graceful, irreversible decline – the Sicily of the North, with a bit of greenery."

When he returned in 1984 to be number two in the Embassy – the man who does the real political work – he did not believe that anything much could have changed, and tried hard to be sceptical. But he concluded that it had: "The self-confidence and the self-esteem had come back – and that was good for Britain, and good for the US."

"In the late 1970s," says Seitz, "there was an extreme reluctance on the part of the UK Government to get involved even in areas – like Rhodesia – where it was legally responsible." (Seitz is a bit of an old Africa hand.) "It was inconceivable that British minesweepers would go East of Suez – as Mrs Thatcher sent them to the Gulf two years ago."

Seitz does not much like the term "special relationship". But there is something, he argues, based on the security side and born of the war. The new factor in recent years is that it has proved possible to expand it. The headlines, he says, should not be about: "Does Bush love Thatcher as much as Reagan did?" but about the new element of Anglo-US co-operation on law enforcement. It is not just drugs and terrorism, but working together watching technology transfers and tracing serious fraud.

Of course, the US works with other European countries as well, "but it is different here. We could not replicate it with anyone else."

A key factor in Anglo-US relations, according to Seitz, was Mrs Thatcher's weighing up the consequences of saying "no" to support for the American raid on Libya. "There would have been a loss of confidence in the relationship, if she had," he says. "It was a brave and a lonely decision for her to say 'yes'. She put her money where her mouth was."

Yet when it comes to Europe and nuclear weapons – part of Seitz's new job – he sounds rather less Thatcherite. He is not averse to some cuts in US forces in Europe and has no particular attachment to the deployment of the Lance missile. "It's a question of adjusting the order in Europe without disassembling the key elements." Those key elements include some American military presence, some nuclear weapons and economic integration. But on the nuclear component, he says, it is less important how you do it, provided some nuclear weapons are maintained.

Back to Britain: Seitz says that Neil Kinnock's succeeding Thatcher as Prime Minister would not be quite like Bush's succeeding Reagan, but he thinks that the Labour Party is returning to a tradition of vigorous and healthy opposition.

Will he be an Anglophile at the State Department? "I'll be trying to get rid of my UK influences," says Seitz. "But it's tough to say 'goodbye'."

Cricket omens

■ Believe it or not after the events of the last few days, England began the test series against Australia as narrow favourites. According to S G Warburg Securities, that is bad news for the stock markets.

Warburg's Equity Briefing points out that only once since 1968 has an English victory in the Ashes in England left the markets higher when the last stump was drawn than when the first ball was bowled.

There have been six home series in the period. In terms of games England won 12 and Australia six. Australia retained the Ashes in 1968 and 1975. England retained them in 1972, and held them again in 1977, 1981 and 1985.

The Australian success in 1968 saw the FT-A All Share index rise from 153 at the start of the season to around 177 at the end. When England triumphed in 1972, the markets did not much like it. The All Share index collapsed from 226 to around 195 as the season wore on. The English victory in 1981 took place while the markets were flat, but there was a sudden fall at the end of the season.

The exception was in 1977, but then the market rose steadily almost throughout the year.

Requiem

■ Nisha Alvares Meneses was probably the most senior Asian woman executive in the City when she died of a viral infection in April at the age of 33. The daughter of an Indian diplomat, she was brought up variously in Delhi, Cambodia, Vietnam, Los Angeles and Dublin. She became a banker with J P Morgan when she was 20 and an executive director at County NatWest – her last job – in 1986.

There were so many people at her funeral in Golders Green that a bemused priest began the service without the coffin. At 11 am on Thursday there will be a requiem at Brompton Oratory. Afterwards Howard Macdonald, the new chairman at County, will host a buffet at Searcy's in Pavilion Road. Nisha was married to the journalist, Karan Thapar.

Few more years

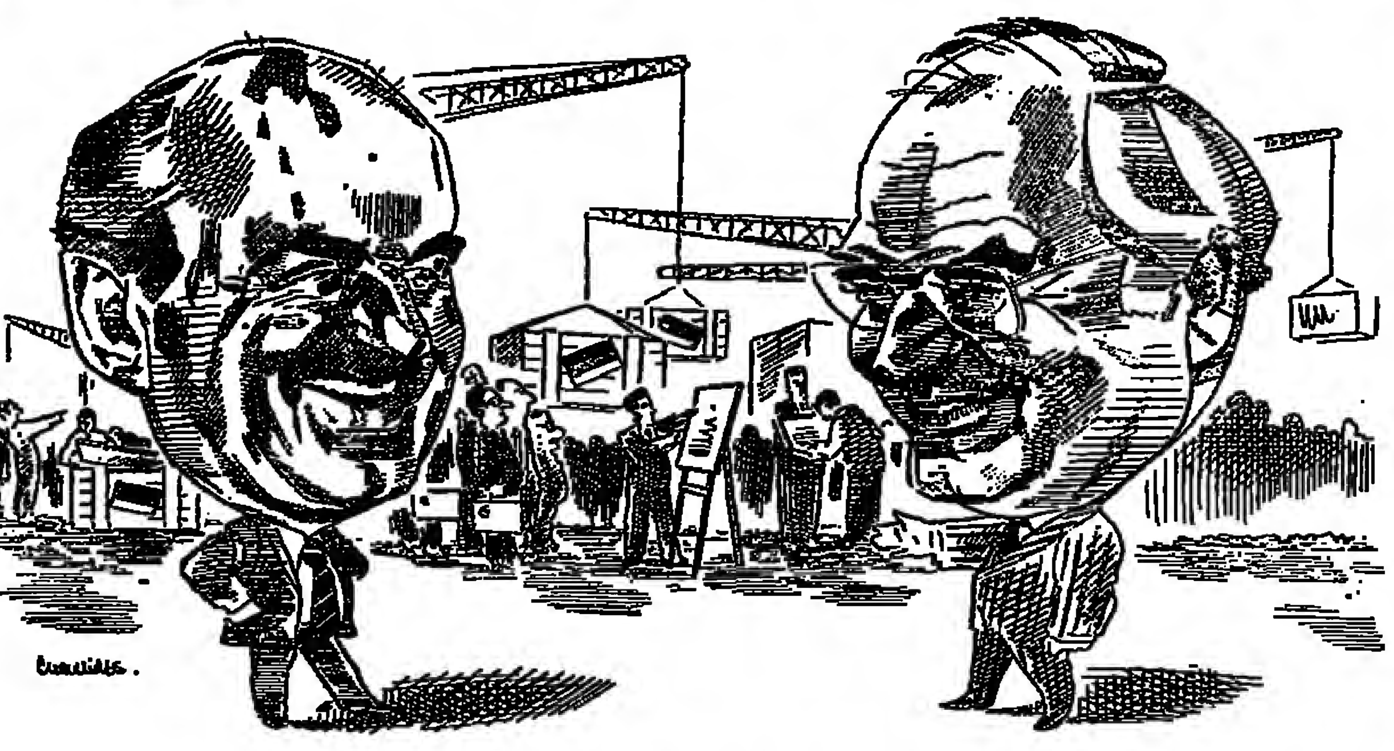
■ Clearly some of the old life still goes on in Hong Kong. There is a half page advertisement in this week's Economist for a racing secretary at the Royal Hong Kong Jockey Club. Candidates should be aged 35-50; the initial salary is £36,000-£40,000 on an income tax of 15 per cent, plus free accommodation and all sorts of other allowances. Part of the job includes liaising with other racing bodies in Asia. The contract will run for three years, so presumably it will not be the last appointment of its kind.

Silly question

■ What does a clam do when it wants to keep quiet? It clams up.

David Marsh and **David Goodhart** on West German-Soviet joint ventures

Training the new Soviet man



One of the highlights of Mikhail Gorbachev's first visit to West Germany was a fervent discussion on the partition of Germany with a petrol station owner near Frankfurt. On his second, and considerably more important, trip to the Federal Republic starting today, the Soviet leader may find that his most rewarding conversations centre on shoes, machinery and management training.

Political discussions in Bonn will form the centre-piece of Mr Gorbachev's four-day stay. Chancellor Helmut Kohl's government – and the world outside – are eagerly awaiting some form of Soviet response to the Nato disarmament initiative last month. But ultimately the most important aspect of Mr Gorbachev's sojourn could centre on the help West Germany can offer in revitalising the struggling Soviet economy.

"German managers are not allowing themselves to be disappointed by the chaos in Moscow," says Mr Karl-Hermann Fink, chief executive of the Ost-Ausschuss, the West German industry committee grouping about 400 companies interested in East bloc business. "Everyone is looking for new opportunities."

Despite the practical problems of putting into action Mr Gorbachev's economic restructuring, industry in the Federal Republic sees the long-term benefits of perestroika. West Germany is by far the West's most important trading partner with the Soviet Union. Exports to the Soviet Union – although only 1.7 per cent of West Germany's total foreign sales last year – rose by 36 per cent in the first quarter over the depressed first three months of 1988, boosted particularly by sales of machine tools.

The Federal Republic leads the list of countries which have signed industrial joint venture agreements with Soviet concerns. Out of 384 Soviet joint ventures agreed as of April – many of which have not started operation – 55 were with West German companies, 51 with Finland, and 30 each with Italy and the US. The overall number of joint ventures has doubled since the start of the year.

An agreement on protecting German investments in the Soviet Union is due to be signed in Bonn tomorrow, along with a construction deal worth up to DM 1bn ($322m) to build two separate trade, hotel and office complexes in Moscow and in West Germany. Bonn and Moscow will seal a further accord to enlarge the Federal Republic's role in training Soviet managers.

No big contracts are likely to be announced during the visit. Daimler-Benz and Volkswagen, which have had several years of contacts with Moscow on building car factories, say they are still a long way from clinching agreement. But Siemens, the electrical group, achieved a breakthrough last month by agreeing a joint venture with capital of around DM 9m to service the company's medical equipment in Soviet hospitals and clinics. Siemens has a 60 per cent share under a new Soviet regulation allowing foreign companies majority stakes.

Mr Hans-Gerd Neglein, Siemens' board member responsible for sales, says improved servicing ability should allow the company to build up its sales in parallel. Perestroika is however proceeding only "slowly," he says. Under an agreement signed during Mr Kohl's visit to Moscow last October, Siemens and Asea Brown Boveri (ABB) teamed up to help the Soviets build a high temperature nuclear reactor for the 1990s. Fulfilling the deal is proving difficult because of Soviet foreign exchange shortages; so far, the Soviet Union is insisting on paying by barter only.

As a consolation for disappointment over the reactor deal, the West German arm of ABB this month has agreed a wide-ranging deal to re-equip and modernise conventional power stations.

Schiess, the Düsseldorf-based machine tool company which, like Siemens, has business links with Russia stretching back to the 19th century, also observes Soviet difficulties in adjusting to market-oriented thinking. Schiess set up a joint venture in Leningrad last year. It established a second one in Düsseldorf – shared 50-50 with Russian partners – at the beginning of 1989 to modernise Soviet machine tools and sell them on the western market.

Turnover of the Düsseldorf company, planned at DM 2m this year, will be close to zero, says Mr Reinhard Fleck, the general manager. "It will be a long process before they [the Russians] adapt to having to sell machines rather than simply distributing them," he says.

Capitalist doctrines, however, are playing a part in the success of joint ventures in the Soviet Union. Salamander, the Baden-Württemberg shoe company, has set up two joint ventures in Leningrad and Vitebsk planned to produce 1.6m pairs of leather shoes this year. They sell at the luxury price of Roubles 50 to 60 ($ 80 to 96) – but output cannot keep pace with demand, Salamander says. It plans to increase output to 6m pairs by 1993. Salamander says a factor behind improving quality and worker motivation is that it pays Soviet employees between 30 and 50 per cent more than average wages.

Liebherr, another Baden-Württemberg company, has a joint venture mobile crane factory in Odessa, owned 60 per cent by the Soviet partner. It produced 40 cranes last year, rising to 100 in 1989. The Soviet Union currently supplies 30 per cent of the components, with the proportion planned to rise to 90 per cent in four years' time. Liebherr, which also pays its workers more than the going Soviet rate, has agreed to produce cranes of 120-tonne lifting capacity using the launching vehicles of scrapped SS-20 nuclear missiles.

Both Salamander and Liebherr have brought Soviet workers back to company headquarters for courses – just a small part of overall German-Russian industrial training. In Moscow last October Mr Kohl offered 1,000 training places over three years with the Government picking up the bill of DM 8m. The Soviets responded enthusiastically and the managers began arriving in November.

Courses are organised by the economic ministries of various states, including Baden-Württemberg, Bavaria and Lower Saxony, or by foundations such as the Carl Duisberg Society and Otto Benecke Foundation. According to Mr Kersten Oschmann of the Confederation of German Industry, the attraction of the programmes is their practicality. Mr Wolfram Hatesaul, of Bonn-based Personal & Management Consultants, is running a private initiative in Soviet management training for about 200 managers. Batches of 16 Soviet managers spend three weeks in Germany being taught the principles of western management and visiting German companies.

What do the Soviet executives want? Mr Hatesaul says they badly need information about international marketing but also want to know about German production logistics and employee motivation. Above all, they want contact with the west.

Mr Hatesaul reports that the first few groups have already placed more than DM 18m of orders with firms they have visited and a joint venture has been signed with a small German plastics machinery company Reifenhausen. In addition, the Soviets have commissioned 10 separate surveys to check the potential German market for their goods.

The Hatesaul group belongs to the fast stream of top managers. They are young – one 28-year-old was already running a factory of 4,000 people – and highly motivated. Although to the western ear there is something slightly comic about Soviet managers toying with the idea of "marketing gimmicks," they are deadly serious.

They are also immensely curious. On a visit to the Mannheim plant of John Deere, the US tractor company, the Russians were amazed at everything from the quality control system to the salad bar in the canteen. The boss of the MKZ carburettor plant in Moscow was especially interested in John Deere's just-in-time supply system and reflected on the unreliability of his suppliers.

Mr Hatesaul's course, which costs about DM 6.5m, is being paid for equally by the Russians and German industry. For many smaller German companies which cannot afford to send people to the Soviet Union, it is an excellent way of doing business, he says. Mr Hatesaul is so confident of his forum's success that he is taking payment from some German companies in the form of a share of their future business with Moscow. From the Russians he is taking roubles and two pre-war German luxury cars which he will auction at Sotheby's.

Some are sceptical about the educational value of the Hatesaul course. Mr Harald Simon, of the Roland Berger consultancy group, says that such "management tourism" is far less effective than on-the-job training. He questions whether Mr Hatesaul's teachers really know enough about Soviet conditions.

German-Soviet management training may form an important part of efforts to galvanise the Soviet economy. But the fruits will take a long time to appear – and meanwhile German man executives recognise that the future of perestroika is threatened by consumer shortages.

One sign of shifting Soviet economic priorities is that a DM 3bn credit line organised by the Deutsche Bank last summer to upgrade and re-equip Soviet food processing and light industrial factories is being taken up more slowly than expected. Only DM 350m has been used, with DM 1.6bn to DM 1.7bn of drawings in the pipeline, much of them for projects involving small- and medium-sized German business. Mr Gorbachev is aware of the need to fill shelves in shops. German bankers say that the Russians are likely to use the remaining DM 1bn of credit not for the long-term aim of industrial modernisation – but to pay for direct imports of food and consumer products.

LOMBARD

US versus India

By Martin Wolf

THINGS HAVE come to a pretty pass when those who support a liberal, multilateral trading system find they must side with a country as protectionist as India against the US. But so it must be after India's recent "naming," along with Japan and Brazil, as an "unfair trader." Mr Dinesh Singh, India's commerce minister, must be applauded for his curt reply of "nothing," when asked what he intends to do about the US complaint under the so-called Super-301 clause of last year's trade act.

The complaint focuses on India's restrictions on foreign investment and the establishment of foreign service industries. Its content is probably less significant than its existence. The complaint appears to be a punishment for India's failure to toe the American line in the Gatt. After all, the number of countries with restrictions on the access of foreign investment and service industries is almost as many as there are Gatt contracting parties; India has violated no international obligations in this area; and these very issues are, as Mr Singh noted, subject to negotiation within the Uruguay Round.

None the less, Mrs Carla Hills, the US trade representative, insists on using Super-301 as a "crowbar" (precisely the right instrument for illegal breaking and entry, one might note) for opening the markets of "unfair" traders. As it casts its stones, however, the US might reflect on its own sins.

Many in the US complain about the feebleness of the Gatt. One reason for that feebleness is that it is only provisionally applied. The original plan had been for a stronger institution, the International Trade Organisation (ITO). But it was the US Congress that refused to ratify the ITO.

Similarly, there are vigorous American complaints about the failure of the Gatt to liberalise agricultural trade. But it was the US which took agriculture outside the Gatt with the waiver it obtained for its agricultural policies, a waiver that has survived since 1955.

Another important industry – textiles and clothing – also created difficulties for the US in the 1950s. So the US negotiated a voluntary restraint agreement with Japan – contrary to the non-discrimination principle of the Gatt. When this proved insufficient, the US pushed for the establishment of a special international arrangement in 1961, which has endured in increasingly restrictive form ever since.

The Indian minister's complaints on the last score are particularly justified. The US has imposed restrictions on products vital to the interests of developing countries for nearly 30 years, restrictions that are also contrary to its Gatt obligations. Yet now it complains about Indian restrictions in areas where no such obligation exists.

Some Americans assert that, however great its protectionist backsliding in particular areas, the US is at least the most open market in the world. This is a myth. According to the World Bank, 15 per cent of US imports from industrial countries and 17 per cent of its imports from developing countries were subject to "hard core" non-tariff barriers in 1986, corresponding figures for the EC being little different, at 13 per cent and 23 per cent, respectively. The US has higher tariffs than the EC for many "sensitive" products, notably textiles and clothing. Finally, in 1987 total US imports were $422bn, roughly the same as the EC's $397bn (excluding internal trade).

How should the rest of the world respond to US bilateral pressure? The central discipline of a multilateral system is the knowledge that an assault on one is an assault on all. So the strong must come to the aid of the weak. In particular, the EC should advise India to take up within the Gatt any US action that appears to violate its obligations. The EC should also commit itself to retaliation, if the US is found to act illegally.

The childish American tantrum about the unfairness of the world is more than ridiculous. It is undermining the very concept of a binding multilateral compact. The other big economic powers – above all the EC – must now be prepared to demonstrate that the tactics of the bully can rebound on the US itself.

LETTERS

The cap size can be decided

From Mr Philip Chappell.

Sir, Two cheers, indeed: Michael Elton, on behalf of the National Association of Pension Funds (Letters, June 9) has at least now accepted in public a most significant reform to the funding of occupational pensions – the principle of a salary cap for tax allowable contributions. All that is left to argue about is the right size of the cap and its annual uplift.

For the longer term, the logic is inescapable: the cap should be set at a level which ensures that employees with a full service record should not be a burden on state welfare in their retirement. As a rough guide, the maximum tax-relieved occupational pension should be equal to the state retirement pension.

On this basis, the appropriate salary cap today would be £6000 (has the Chancellor got a nought wrong?), giving an occupational pension of up to £4000, with a commitment to increase this in line with the state pensions. £8000 a year for a married couple in retirement (with no mortgage) is certainly not riches, but neither is it poverty. Saving for retirement above this level would be a matter for personal thrift, provided after-tax out of enhanced wages, already substantially increased by the Chancellor's successive reductions in income tax.

But the real prize is that the ending of the pensions scandal widens the tax base: a first charge on the increase in revenues must be the ending of all higher rate taxes. Would the NAPF accept a salary cap of £6000 in exchange for a top rate of 25 per cent (possibly less) for income tax, inheritance tax and gains tax?

Philip Chappell,
77 Frognal lane, NW3

Pay at the top

From Mr J.D. Sutherland.

It is all very well for Mr C.D. Power to argue that your headline "BA chairman doubles his pay" (Letters, June 7) is naive and misleading.

The fact remains that Lord King's already generous remuneration was doubled, setting a singularly poor example to the rest of industry. Yet no politician or member of the Confederation of British Industry (CBI) dares to utter even a weak squawk of protest or dismay as top men continue to receive astronomic increases.

J.D. Sutherland,
41 Westella Way, Kirkella, Hull, Humberside

Industrial gases in Europe

From Mr Richard V. Giordano.

Sir, Your report concerning the European Commission ruling on the industrial gas business ("EC orders industrial gas makers to abandon sales pacts," June 8) says that the Commission found that "L'Air Liquide and BOC were held to have abused their dominant market positions." This is quite incorrect, and your report is clearly harmful to our reputation.

The Commission found nothing in respect to BOC's activities to prove an abuse of dominant market position.

The Commission spent the last seven years examining the industrial gases business in Europe, involving several hundred man-years of work for the companies involved.

The result of this, so far as BOC was concerned, has been some fairly minor contractual changes that we do not believe will have any material effect on our buiness or how we conduct it.

Richard V. Giordano,
Chairman,
The BOC Group,
Chertsey Road,
Windlesham, Surrey

Cold comfort

From Mr D.C.T. Roberts-Jones.

Sir, In response to recent letters on the efficacy of snake-dung pills against the common cold, is it not reasonable to expect that some forward-thinking entrepreneur is now crawling, belly down on Exmoor, harvesting the British adder's cure-all placebo?

D.C.T. Roberts-Jones,
29 Sekforde Street, EC1

Getting around London

From Mr Peter Bottomley MP.

Sir, Rachel Johnson and David Churchill's article ("Londoners rally against road plans," June 5) contains substantial inaccuracies which will cause confusion and unnecessary concern to your readers. The slant of the article is that the Department of Transport has plans to re-draw the map of London by building new roads.

This is, of course, the conclusion these and other journalists have arrived at by combining all the road based components in the options in the four separate studies.

The Department has always made it clear that each study is into the special problems of an area. The consultants' ideas are *alternatives.*

Similar treatment is given in the report to the existence of 250 schools being jeopardised. This figure has been dreamt up by the Inner London Education Authority by trying to identify every school that appears to be close to one of the 40 or more options. Once again only four recommendations could come forward, and in these great care will be taken to minimise the environmental effects. Perhaps it is appropriate to quote from the terms of reference for the studies:

"All options will need to be conceived with great care and sensitivity for the environment and the social fabric of the areas concerned."

Ministers are on record as saying that nothing will be put forward which does more harm than good.

While correctly reporting that boroughs are opposed to the studies, the fact that they have helped with and agreed to the objectives is not recorded. These objectives cover accessibility, employment, economic growth and regeneration, efficiency, the environment and safety.

The Association of London Authorities attended a central consultative group meeting on the studies on May 24. There was no question then of any suspension of further meetings. The consultants are still open to borough ideas.

It is worth nailing the argument that, to save lives on the roads, only public transport needs to be improved – as reported from statements by Michael Goodman and John Wakeham.

Investment on public transport in London, at over £650m this year, *is* five times that on trunk roads in the capital. During the last seven years there has been an enormous switch to the use of public transport in London. The underground now has a 70 per cent increase in passenger miles with an additional 20 per cent on Network SouthEast. Yet this has not greatly contributed to a reduction in road deaths in London.

There is the suggestion that we are prepared to spend £3.5bn on building *the new roads.* I can only repeat that we have not taken any view on the options and there is no presumption in favour of road-building in the options.

What financial provision will need to be made must await the results of the consultants' work. I do not intend to prejudge that. You should not do so either.

Peter Bottomley,
Minister for Roads and Transport,
Department of Transport,
2 Marsham Street, SW1

From Mr E.A. Naptin

Sir, Mr P.J. Bull (Letters, May 31) refers to delivery vans in London being allowed "to get away with it (parking) for a minute or two."

Deliveries to many establishments have to be made in working hours. If such deliveries were prevented by overzealous enforcement of parking regulations, businesses would be forced to increase stock holdings and receive deliveries out of hours. Many just do not have the necessary space or finance to allow this, and would have to close.

Already many businesses have been forced out of London (causing redundancies and a loss of service to customers) because of traffic restrictions. At the same time those businesses which remain have to reduce service, as their ability to react at short notice is restricted.

Life – and in particular, traffic – is not as simple as Mr Bull implies.

E.A. Naptin,
Association of Independent Businesses,
Trowbray House,
108 Weston Street, SE1

FINANCIAL TIMES
Monday June 12 1989

Janet Bush on Wall Street

Big gain on the cards for banks

THE RECENT issue by Citibank of $845m of seven-year securities backed by credit card receivables was a landmark in the development of the asset-backed market.

The length of the maturity provides evidence that issues of securities collateralised with such assets as car and boat loans and operating leases on computer equipment have been accepted by investors.

The seven-year maturity is the longest so far on any credit card-backed deal. The first, in 1987, had average lives of only two years. Progress, then, towards acceptance of a seven-year maturity has been remarkably fast.

According to Mr Michael Nugent, group treasurer for card products at Citibank, the issue sold out with between 50 per cent and 60 per cent going to investors who had never before bought an asset-backed issue of any kind.

Citibank launched its first credit card-backed deal in November last year and has now done around $5bn worth of issues.

Citibank has by far the largest amount of credit card debt outstanding and therefore a real incentive to securitise it.

International agreements by regulators to impose more stringent capital adequacy guidelines on banks has been the second major boost to asset-backed securities, the first being the enormous car loan issues by General Motors Acceptance Corp which first brought attention to the technique, according to Mr Walid Chammah.

He is a managing director of First Boston which, up to June 1, had 53.8 per cent of the $41.7bn asset-backed market, with Salomon Brothers in second place with 18.1 per cent.

The advantage of securitising assets and selling them is that the assets are then taken off the bank's balance sheet and capital is freed for other uses.

Capital requirements have been a major factor behind the increasing domination of the asset-backed market by banks, although it is also true that auto receivables have been under water because of rising interest rates.

Figures provided by First Boston show that banks had only a 5.8 per cent share of asset-backed issues, compared with auto finance companies, which had 86.2 per cent. That has radically changed. In the first five months of this year, banks accounted for 82.5 per cent of the business, compared with 2.5 per cent for auto finance companies.

The involvement of banks has been the major story behind the increased dominance of credit card-backed issues.

Mr Chammah believes credit card-backed issues are already relatively high up their development curve, with sophistication achieved quickly because of the ability to borrow techniques from the mortgage-backed market.

Citibank has already been highly innovative. Since November, it has launched a number of issues with a bullet structure which provides for half-yearly payments and principal paid back in a lump sum at maturity.

This structure has met tremendous success, according to Mr William Ahearn, vice president at Citibank. The bullet structure makes the asset-backed issue look, to all intents and purposes, just like a corporate bond and traditional bond buyers have come in as investors in this new market for the first time.

Citibank has also aimed the first issue specifically at retail investors who could buy as little as $1,000: the issue was highly successful, according to the bank.

Mr Chammah has some other ideas for variations on the structure of deals in the asset-backed market. The example he gives is the "third party buy-out method" used on boat loans which tend to be paid off over a lengthy period, unsuitably extended for most investors. Using this technique, a 15-year boat loan could be chopped off at six years, at which point the remaining receivables are taken over by a finance insurer.

Mr Chammah believes that credit card-backed issues may have maturities of up to 10 years but probably no longer.

Techniques apart, Mr Nugent and Mr Ahearn at Citibank believe the main thrust of development in the credit card market will now be to extend the base of investors buying them. There will, inevitably, be more issuers too as other money centre banks recognise the advantages to their balance sheet.

GORBACHEV BEGINS FOUR-DAY VISIT TO WEST GERMANY

Bonn, Moscow try to ease barriers

By David Marsh in Bonn

WEST GERMANY and the Soviet Union will strive to intensify economic ties and map out a strategy for lowering East-West barriers during a four-day trip to the Federal Republic by Mr Mikhail Gorbachev starting today.

Mr Gorbachev is making the first visit to West Germany by a Soviet leader since Mr Leonid Brezhnev in 1981. He is likely to be given his warmest welcome so far in the West during talks with political and economic leaders in Bonn, Düsseldorf, Cologne and Stuttgart.

About a dozen German-Soviet agreements are due to be signed, covering protection of German investments in Russia, building of trade centres, scientific, cultural and technical exchanges, management training and youth programmes. The two governments will unveil a wide-ranging political declaration designed to spell out ideas on working towards what Mr Gorbachev calls a "common European home" – a new peaceful order in Europe.

President Richard von Weizsäcker, who will be greeting Mr Gorbachev this morning in Bonn, said yesterday West Germany had a duty to help Soviet reforms and gradually democratise Eastern Europe. The President, however, also warned of the need for continuing defence efforts.

Mr Helmut Kohl, the West German Chancellor, said in a weekend interview with Pravda that conditions for ending confrontation and conflict in Europe and the world "are better than ever before." He recognised, however, the dampener caused by the massacres in Peking.

Mr Gorbachev is highly unlikely to make any initiative on East Germany. But any statements by the Soviet President on self-determination in Communist countries are bound to have an impact on delicate East-West German relations in view of the pace of political reform in Poland, Hungary and the Soviet Union itself.

In press conferences in Bonn over the past few days, advance parties of Soviet officials have hailed the Gorbachev trip as a German-Soviet milestone. There is no sign of the freeze caused 2½ years ago by Mr Kohl's indirect comparison of Mr Gorbachev with Nazi Propaganda Minister Goebbels.

Soviet officials have cautioned against expectations of a concrete response to Mr Bush's proposals for accelerating East-West conventional disarmament talks in Vienna. But officials in Bonn expect Mr Gorbachev to reaffirm Moscow's interest in speedy arms reductions.

In spite of a 20 per cent increase in German exports to the Soviet Union last year, bilateral trade relations are still going through a difficult period because of currency shortages in Moscow and upheavals caused by economic reforms.

Theme strikes different chords, Page 2

Big cuts in Soviet bureaucracy planned

By Quentin Peel in Moscow

SWEEPING CHANGES in the Soviet Government, including a reduction by almost 40 per cent in the number of economic and industrial ministries and the promotion of a leading economic reformer as deputy premier, have been announced by Mr Nikolai Ryzhkov, the Soviet Prime Minister.

The axe has fallen on a string of leading former ministers, including the top men in charge of agriculture, construction, and finance – three of the biggest problem areas for the Soviet Government. However, the head of Gosplan, the all-powerful state planning committee, has survived.

The most surprising newcomer is Dr Leonid Abalkin, a leading academic who is one of Mr Gorbachev's closest informal economic advisers, to be a deputy prime minister in charge of a new state committee for economic reform.

In general, Mr Ryzhkov is promoting younger technocrats, scientists, economists and engineers in an effort to revive the faltering economic reform process.

He presented first details of his proposed new government to the Supreme Soviet – the nation's new standing parliament – on Saturday, and the list is now subject to the deputies' approval.

He said the number of economic and industrial ministries had been slashed from 52 to 32, and the overall number of ministries and state committees represented in the Council of Ministers cut by 25 to 57.

Dr Abalkin, who is currently head of the Institute of Economics of the Academy of Sciences, is one of two key figures brought straight into the Government's top ranks.

More senior still will be Mr Vladimir Kalashnikov, hitherto the Communist Party first secretary in the Volgograd region, and now to be in charge of the agriculture ministry, and one of three first deputy prime ministers. He has had a reputation as a strong reformer in Volgograd, a factor which may have led to his recent defeat in the Congress of Deputies for a seat in the Supreme Soviet.

Dr Abalkin's appointment will be welcomed by economic reformers, but could leave the Government with a potential for running conflict at the very top. As a leading academic he has called for a radical rethinking of the next five-year plan, drastically reducing the role of the state planning committee.

Mr Yuri Maslyukov, the chairman of Gosplan, is the one first deputy prime minister from the former government to survive, and it is likely that he will defend the central planning apparatus.

The new Finance Minister, Mr Valentin Pavlov, was most recently chairman of the State Prices Committee, Goskomtsen, where he proved a disappointment to reformist economists.

The majority of Mr Ryzhkov's proposed changes are concentrated on the economic ministries, and key figures of Soviet international policy remain unchanged: Mr Eduard Shevardnadze as Foreign Minister, General Dmitri Yazov as Defence Minister and General Vladimir Kryuchkov as head of the KGB.

In his speech to the Supreme Soviet, Mr Ryzhkov spelt out several key objectives for his new government, including meeting the needs and demands of Soviet consumers and governing not by administrative command, but by economic methods.

Urenco in US uranium deal

By David Fishlock in London

URENCO, the Anglo-German-Dutch uranium enrichment consortium, is to provide advanced nuclear technology for a $750m uranium enrichment factory in the US, supplying the world's biggest nuclear fuel market.

The investment has been agreed by three US electricity companies worried about future nuclear fuel costs, after a two-year study of the economics of the European technology.

Uranium enrichment is an essential step in making fuel for most types of nuclear power station.

The factory, near Shreveport, Louisiana, is scheduled for full operation in 1996. At current prices, it will have a turnover of about $155m a year, and the capacity to meet about 15 per cent of the US demand for enrichment.

Urenco was set up by the British, Dutch and West German governments in 1971 to exploit the development of gas centrifuge enrichment.

Urenco's shareholders are a mixture of public and private companies, including the state-owned British Nuclear Fuels, and the privately owned Uranit consortium in Germany, whose shareholders are Hoechst and two electricity companies, Preussen Elektra and RWE. In the Netherlands, Shell and Philips are small shareholders.

US companies will have the majority shareholding in the Louisiana plant to comply with US nuclear law. The project was announced at the weekend by Louisiana Energy Services, a US energy partnership formed this month involving three US electricity companies (Duke Power, Northern States Power and Louisiana Power and Light) together with Urenco and the engineering group Fluor-Daniel.

Mr George Inglis, Urenco's managing director, said it would be the first private US source of enrichment, an industry currently monopolised by the US Government.

A key factor in the decision to invest was utility worries about the future cost of US enrichment, which relies on the older, energy-intensive diffusion process needing more than 20 times as much electricity as Urenco's centrifuge. Enrichment accounts for about 40 per cent of the cost of nuclear fuel. The three European governments have approved the necessary technology transfer and the factory will be open to inspection to confirm that there is no military use of the technology.

The three US electricity companies, with a total of 11 nuclear plants running, have more nuclear capacity than the UK.

Lawson and Thatcher disagree over EMS

By Ralph Atkins, Economics Staff, in London

DISAGREEMENT between Mr Nigel Lawson, the UK Chancellor of the Exchequer, and his Prime Minister surfaced again yesterday over the causes of rising inflation and the timing of Britain's becoming a full member of the European Monetary System.

Mr Lawson denied in a television interview that the present upswing in inflation stemmed from attempts last year to peg sterling to the D-Mark – apparently contradicting recent remarks by Mrs Margaret Thatcher.

He was adamant that the UK would become a full member of the EMS within his lifetime, stressing the benefits to existing members and brushing aside warnings by Sir Alan Walters, the Prime Minister's economic adviser, of harmful side-effects.

The Chancellor's remarks – which may be seen as reversing Government attempts last week to present a united front on economic policy – came at the start of a tough week for the Treasury and financial markets.

May's retail price index, to be released on Friday, is expected to show the annual inflation rate approaching 8½ per cent with no clear peak in sight. City analysts forecast other economic figures will show acceleration in earnings growth.

Sterling remains vulnerable to further rises in the dollar or unfavourable foreign exchange sentiment which could force another rise in base rates.

Mr Lawson repeated that tackling inflation was the first priority of the Government's macro-economic strategy. He hoped it would start falling later this year but the Government had no particular long-term target.

He acknowledged that exchange rate stability might have to come second to the overriding aim of controlling inflation but he was anxious to avoid "wild swings" in the British currency.

Speaking on the BBC's On the Record programme, Mr Lawson said the UK faced "a particular inflationary problem at the present time which I have taken measures to address."

Mr Lawson said the views of Sir Alan Walters were "very difficult to reconcile" with the facts. "The EMS has been going on for 10 years now and all the member countries concerned believe that they have benefited from it . . . but equally I don't believe the time is right as of now for the pound to join."

Peseta, escudo in Ecu, Page 3

Paris signs $2.7bn arms deal with Saudi Arabia

By Paul Betts in Paris

FRANCE has signed a major new arms co-operation agreement with Saudi Arabia estimated to be worth about $2.7bn to supply the kingdom with naval frigates carrying helicopters and Mistral surface-to-air missiles manufactured by the Matra defence and electronics group.

The office of the French President confirmed yesterday the signature of the agreement between Mr Jean-Pierre Chevènement, the French Defence Minister, and Prince Sultan ben Abdel Aziz of Saudi Arabia, who has been attending the Paris Air Show.

The new French military package to Saudi Arbia will be financed in part by traditional export financing and in part by Saudi Arabian sales of petrochemical, agricultural and other finished goods to France. It was, however, unclear yesterday whether the package would also be financed in part by direct Saudi Arabian crude oil exports to France.

The latest agreement falls into two parts. The first involves a new military co-operation deal including the supply by France of two or possibly three naval frigates carrying helicopters.

The frigates will be supplied by the French naval arsenals but are likely to provide the Thomson CSF state-controlled defence group with major orders for electronic components and arms systems.

The second part of the agreement involves the sale of the Matra Mistral surface-to-air missiles which compete with the US Stinger missiles. Matra would not disclose yesterday how many Mistral missiles were involved in the Saudi order.

But Mr Jean-Luc Lagardère, chairman of Matra, is expected to address the issue at a press conference at the Paris air show today.

Campaign of distortion

Continued from Page 1

While most residents in the Chinese capital resent the presence of troops on street corners, national broadcasts have shown large gatherings of Peking people appearing to applaud spontaneously as troops jog through the backstreets. The visual half-truths on television include graphic pictures of soldiers' corpses, combined with claims that not a single shot was fired in Tiananmen Square.

Each night for almost a week, reports have shown close-ups of gutted military trucks without providing an explanation of how they came to be that way, other than to blame it on the protesters. The largest collection of destroyed PLA vehicles, scenes of which are often shown, was a self-inflicted disaster – dozens of trucks slammed into each other after the lead vehicle slewed, so soldiers set the vehicles alight, fearing that they would be looted.

A telling illustration of the unintended power of television coverage is the case of a 42-year-old man whose outspoken criticism of the PLA was filmed by a US news team. The report was apparently picked up by Chinese authorities as it was transmitted by satellite to the US. After the interview was shown on Chinese television, viewers were asked to expose the man for his support of the "counter-revolution."

Last night, the man appeared once more on television, this time handcuffed and puffy faced. In the company of several police and a camera, he apologised for spreading rumours that aided the counter-revolutionary cause. He is not likely to be seen on television again.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio		–	–	Dubrovnik	S	24	75	Malta	F	27	81	Rhodes	S	25	77
Algiers	S	26	79	Edinburgh	F	20	68	Manchester	F	21	70	Rio de J'o	C	27	81
Amsterdam	S	21	70	Faro	S	27	81	Manila	C	34	93	Rome	S	25	77
Athens	F	26	79	Florence	S	28	82	Melbourne	C	13	55	Salzburg	C	20	68
Bahrain	S	33	91	Frankfurt	C	19	66	Mexico City	F	31	88	San Francisco	C	12	54
Bangkok	F	32	90	Funchal	F	23	73	Miami	S	27	81	Seoul	S	25	77
Barcelona	S	26	79	Geneva	S	22	72	Milan	S	25	77	Singapore	S	32	90
Beirut		–	–	Gibraltar	S	21	70	Montreal	C	14	57	Stockholm	F	21	70
Belfast	C	15	59	Glasgow	F	18	64	Moscow	S	25	77	Strasbourg		–	–
Belgrade	F	23	73	Guernsey	C	16	61	Munich	C	17	63	Sydney	R	13	55
Berlin	R	20	68	Helsinki	F	18	64	Nairobi	C	19	66	Taipei	R	34	93
Biarritz		–	–	H. Kong	C	29	84	Naples	F	27	81	Tangier	S	30	86
Bombay	Dr	28	82	Innsbruck	F	19	66	Nassau	F	31	88	Tel Aviv	F	26	79
Bordeaux		–	–	Inverness	F	18	64	New Delhi	S	36	97	Tenerife	S	24	75
Brussels	S	22	72	Islamabad	F	38	100	New York	S	18	64	Tokyo		–	–
Budapest	F	23	73	Istanbul	F	22	72	Nice		–	–	Toronto	S	14	57
B. Aires	F	10	50	Jakarta	C	33	91	Nicosia	S	25	77	Tunis	S	28	82
Cairo	S	31	88	Jersey	Dr	18	64	Oporto	S	21	70	Valencia	S	25	77
Cape Town	S	18	64	Jo'burg	S	15	59	Oslo	S	20	68	Venice	S	26	79
Caracas	C	24	75	Lima	C	18	64	Paris		–	–	Vienna	S	23	73
Casablanca		–	–	Lisbon	S	27	81	Peking	C	25	77	Warsaw	F	20	68
Chicago	S	12	54	London	F	21	70	Prague	R	20	68	Washington	S	18	64
Cologne	C	19	66	Los Angeles	C	16	61	Reykjavik	S	16	61	Zurich	S	20	68
Copenhagen	F	17	63	Luxembourg	F	19	66								
Corfu	S	26	79	Madrid	S	27	81								
Dallas		–	–	Majorca	S	26	79								
Dublin	C	14	57	Malaga	S	24	75								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

THE LEX COLUMN

A disagreement over values

It is nothing new for the stock market and industry to disagree on brand values, but last week's purchase by BSN of Nabisco Europe saw the discrepancy become ludicrous. The stock market would regard a price of 27 times earnings steep for a pharmaceutical glamour stock, let alone a humble provider of cream crackers and potato crisps. Doubtless, BSN can double Nabisco's profits in a couple of years through higher sales and lower costs, but that still does not close the gap. It is hard to escape the conclusion that if brands are undervalued by the stock market they are also overvalued by industry.

To an extent, the industry case is defensible. By comparison with a decade ago, brands may well represent better quality earnings than the stock market realises, as consumers trade up and pay for added value. Perhaps, too, if a brand is inherently worth x to the business, it may be worth x plus 25 per cent to deny it to a competitor: though whether such thinking is conducive to the health of an industry in the long run is another matter.

There is also the risk that the food business, like several other industries at present, is suffering from collective hysteria over vanishing opportunities. This is particularly daft in the case of RJR Nabisco, which is a vast conglomerate being broken up after less than a decade of existence. The really brave counter-cyclical company would stand back and let the hysteria run its course: though only the biggest can be sure that they would not themselves be snapped up at silly prices in the meantime.

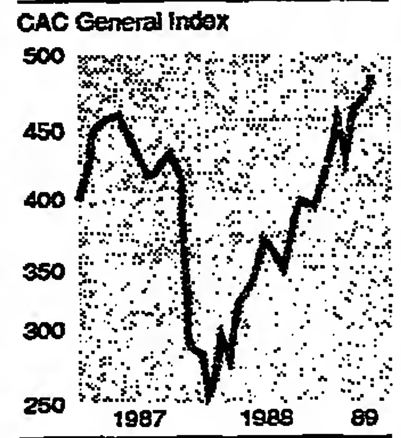
All this is having a knock-on effect on the stock market. Last week's rise in the News Corp price owed much to the extraordinary 35 times earnings which Paramount is bidding for Time, and the jump in BAT's price owed something to Nabisco's demonstration that the break-up of a tobacco-based conglomerate looks feasible after all. The logic in these particular cases may be debatable: but in general, if the astute portfolio investor is looking to buy companies which might be bid for he should also be looking to sell companies which might be bidders.

Paris Bourse

The battle for pre-eminence among Continental European bourses will never be fought and won on the basis of growth in the local index alone. But for those who wish to package the attractions of Paris in this regard, it certainly does not hurt to be able to point to an index at an all-time high – a rarity among major European markets – and to a catalogue of positive economic factors which ought to ensure new highs yet to come.

France

CAC General Index



The immediate future may well promise no more than another 5 per cent or so on the CAC general index, which has already risen by 94 per cent since its post-crash low. But then again, conventional wisdom has predicted a prolonged pause in the market at several stages of its recent climb, and been wrong every time. The market may well take its breather as expected this time; but longer term the economic, political and financial forces acting on it remain positive. If one had to choose which European market would rise most in the next six months, Paris would be a fair bet to lead the pack.

Now that Paris has finally caught Frankfurt up in terms of market capitalisation – and has done so without the banks to get in the way of other investors – the attractions of a market which quotes nearly four times as many companies as the German one are obvious. And though France cannot divorce its interest rate worries from those of its more powerful neighbour, the chances are that Paris will get away with no more than a half point rise, even if the Germans raise rates by twice that. The rest of the economic background gives even less cause for concern: inflation edging up, but scarcely desperate at perhaps 4 per cent this year; gross domestic product growth of probably 3.5 per cent; and earnings growth which should manage 17 per cent or so this year and 12 per cent or more next, which will certainly make London look pale by comparison.

The weight of money argument can also be called to France's aid: some FFr30 dividends are due to be out from later this montł quite a lot of that money end up in equities. Mean the prospect of corporate ity remains an e ment – though if CGE is and others follow its le defending itself from tak that attraction could fade in the end. For the mo though, an excess of p tionism seems unlikely unless investors let thei mism get the better of – which does not yet se have happened – there s be more to come.

Global bonds

The growth of the in tional capital market thrown up all sorts of about investor behaviou trading conventions whi not stand close scrutiny has led to considerable ciencies, and a major bor like the World Bank, c forgiven for being rathe tated that its paper tra much tighter spreads i Euromarkets than in the

However, it is far from that the World Bank's p issue a new type of se which will be underw and distributed simultan in the US domestic mark the Euromarket will cat despite its considerable lectual appeal. The new rity will be fungible ar intention is that the issue will be of such a siz it will have the liquidity will ensure that it c traded actively on a 2 global basis just like US suries. Presumably, inv will be prepared to acc lower yield in return f significant increase in liq and this will reduce the Bank's borrowing costs.

Since most of the th bond traders in New Tokyo and Europe, are p the management (although the absence of don merchant bank is a embarrassing), there is siderable vested interest issue's being a success World Bank is probably in suspecting that trad European investors ar averse to buying regi securities as long as th liquid. However, the re of the issue's success i the US. Not only will US bution costs have t trimmed but the World wants its paper to be t like US Government a paper, by both the auth and, even more importa investors. This could pro tall order.

SECTION III

FINANCIAL TIMES SURVEY

The ground is shifting in Southern Africa. Settlement of regional conflicts opens new vistas for economic co-operation and domestic compromise. Black-white power sharing through negotiation moves onto the political agenda, writes **Anthony Robinson**

Johannesburg: Black workers stream into South Africa's economic nerve centre. Many now live in the once whites only suburbs

SOUTH AFRICA

Slow motion revolution

SOUTH AFRICA'S slow motion revolution, the glacier-like erosion of apartheid, is about to pick up speed. Domestically the long ruling National Party under the new leadership of Mr F.W. de Klerk is expected to win a fresh five-year mandate from the still dominant white electorate at the general elections on September 6.

Abroad, superpower co-operation has brought about an end to the war in Angola and progress towards the independence of Namibia under the de facto supervision of Pretoria, Washington and Moscow. The economy, buffetted by the declining gold price and hobbled by debt repayment, is poised for a downturn after last year's 3.2 per cent growth. But it has weathered sanctions and disinvestment in leaner shape and could prove a trump card in future regional co-operation plans.

In short South Africa is heading for the 1990s with a fortuitous combination of circumstances which provide guarded grounds for optimism about the future. The die is not yet cast and the future is full of hostages to fortune. But the way in which this ethnically diverse country faces up to the challenges of the next few years will decide whether the modern, first world sector is able to uplift and absorb the third world part – or be dragged down by the dead weight of a rapidly rising population, a white exodus, violence and disease.

Even a decade ago to talk in terms of first and third world was a euphemism to describe white and black South Africa. No longer. Certainly most of third world South Africa, the rural homelands and the urban shanty towns, is black. But much of the Asian community and millions of black and coloured South Africans now hold down skilled or professional jobs, own property or work in the formal, first world sector of the economy protected by trade unions and social security schemes.

The first world aspirations of others are now getting a chance of being partially met in a booming informal sector freed of unnecessary regulation and racial barriers. Despite the appalling legacy of decades of inferior "bantu education" more blacks than whites now matriculate from (still segregated) high schools every year and it is they whose skills must be enhanced if the economy's skill shortage is to be solved.

Dr Verwoerd, the architect of "grand apartheid", told whites in the 1960s they faced a choice between being pure and poor or mixed and rich. The crunch came around 1972 when the economy ran out of skilled white labour. The then Prime Minister, Mr John Vorster, opted to train black workers into semi-skilled positions. For professional observers of apartheid like Mr John Kane-Berman, director of the independent Institute of Race Relations, that was the beginning of the end.

Recognition of the indissoluble unity of the economy and the consequent integration of blacks, including of course coloured and Asian workers and entrepreneurs into economic life is changing the face of South Africa. Whites are still in political control and still own more than 90 per cent of the country's assets. But the reality is changing fast and the cumulative repeal of apartheid laws under the 10 year leadership of President P.W. Botha in essence has legal cognisance to the de facto erosion of apartheid on the ground.

The key reforms to date have been recognition of the permanence of blacks in "white" South Africa, and the need to give them political representation. From that has followed the granting of property rights, the abolition of many restraints on black entrepreneurship and skill acquisition, and above all abolition of the pass laws and influx control.

The process of political emancipation and black economic empowerment, is far from complete. But it has become unstoppable. A tidal wave has carried millions of black people away from the feudal farms and the barren homelands to hastily self-built shanty towns on the outskirts of all the leading cities or to backyard shacks in the crowded townships. New middle-class suburbs have sprouted in the townships while rising aspirations linked to higher educational standards and skills have allowed tens of thousands of blacks to defy remaining apartheid laws like the Group Areas Act and move into the formally white inner cities

Here, once again, the laws are about to be changed to reflect the unchallengeable realities. The Free Settlement Acts, now before parliament, will give legal recognition to already existing mixed residential areas like Hillbrow in Johannesburg or Woodstock in Cape Town. Like the peeling of an onion each repeal or "reform" of an apartheid act comes closer to exposing the core, the legal protection for "groups"- meaning ethnically segregated residential areas, schools, hospitals and other facilities.

Given the strength of ethnic fears and phobias – not only in South Africa and not only among whites – Mr de Klerk is going into the election insisting that his party will both "protect" group rights and "prevent domination" by any one group of any other. Support for black majority rule is very much a minority taste among whites in a country where they will form only 15 per cent of the population by the turn of the century and where many fear that simple majority rule could be a formula for permanent black domination.

The indications are, however, that the next few years will see a fresh approach to the vexed issue of how to reconcile universal suffrage with credible guarantees for minorities and give real meaning to the term "power sharing".

A significant straw in the wind is to be found in the recent government-sponsored report by the South African Law Commission chaired by Mr Justice Olivier. The commission, made up of judges, magistrates, academic and practising lawyers and justice department officials, recommended that the government scrap all apartheid laws, including the 1984 constitution, the 1950 Population Registration Act and the Group Areas Act. It takes the view that group rights can best be protected by a bill of rights guaranteeing the right of individuals. It also calls for universal adult suffrage at 18 years of age and all the usual litany of rights cribbed from Rousseau and the American Founding Fathers.

As for the constitution, its days are also surely numbered. It is fatally flawed in numerous ways – including the enormous powers given to the executive state president and the exclusion of blacks. Many also question the virtues of the unitary state bequeathed by the 1910 Act of Union. Debate rages on various forms of federal, and even Swiss-style cantonal devolution of powers.

One thing is certain. Any future constitutional and political order will have to be negotiated with blacks and lead to their inclusion in the body politick as full fledged citizens. Mr de Klerk has called in general terms for a "Great Indaba" and, following the resignation of Mr Chris Heunis, the long time minister in charge of constitutional development, will take a key role in setting up the negotiation process.

The crucial question is how to persuade banned organisations like the African National Congress (ANC) the Pan Africanist Congress (PAC) and other black political forces to sit at the negotiating table not only with the government but alongside homeland leaders like Chief Mangosuthu Buthelezi, black mayors, senior black officials and other interest groups.

One obstacle, the continued incarceration of black leaders such as Mr Nelson Mandela, Mr Walter Sisulu and others, is likely to be removed fairly shortly after the elections. The other, government insistence on renunciation of violence as a pre-condition for talks, could be played down if internal and external pressures on the exiled ANC leadership force it to re-consider the negotiating option. Moscow, the ANC's long-term arms supplier and supporter, is now talking of the need for negotiated not military solutions to Southern African problems. ANC guerrillas and cadres are being forced out

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CONTENTS

P.W. Botha's departure breaks the political logjam, writes **Anthony Robinson**

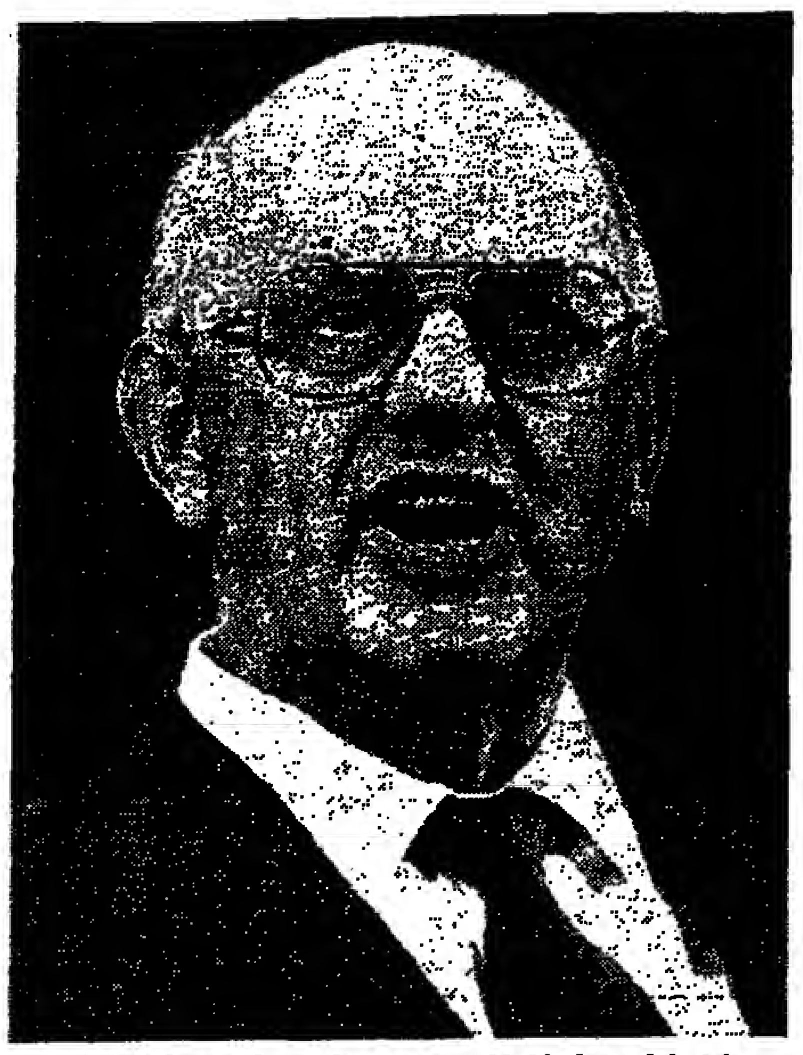
Change of guard in Pretoria

PRESIDENT P.W. Botha's "mild stroke" in mid-January upset government plans for a snap general election in April or May and gave an unexpected turn to the country's political prospects.

Despite growing unhappiness with Mr Botha's "imperial" style no-one had the stomach to challenge him and the 73-year-old President appeared to have his eyes set on a second term of office. At most Mr Botha seemed willing to share the burden of a Gaullist-style executive presidency by recreating the post of Prime Minister.

That seemed to have been his intention when on February 2 he suddenly announced he was standing down as leader of the National Party. In the ensuing election Mr F.W. de Klerk, Minister of National Education and Transvaal party boss, was elected on the second ballot by a narrow eight vote win over his nearest rival, Mr Barend du Plessis, the Finance Minister.

Mr Botha was not amused by the result, and became progressively less so as Mr de Klerk, with a relieved party behind him, struggled to assert his authority. But it took another two months until Mr Botha finally agreed to retire gracefully after the general elections for all three of the racially segregated white, coloured (mixed race) and Asian houses of parliament on September 6.



P.W. Botha: increasing unhappiness with his imperial style

While the ruling party was enmeshed in its own internal affairs, the economy deteriorated. An overheated economy was made worse by a falling gold price. This forced the Reserve Bank to raise politically sensitive prime interest and mortgage rates up to 20 per cent and caused the predictable screams of pain, especially from the right-wing Conservative Party which appeals mostly to lower paid, less educated blue collar and rural whites angered at the erosion of their racial privileges and the "fat cat arrogance" of what they see as a treacherous government.

The prospect of having to fight a general election against a rejuvenated National Party under a new leader also galvanised the three feuding parties on the left of the government into finalising their plans for a new "liberal-left" opposition. The resulting Democratic Party, launched with American-style razzamatazz on April 9 subsumes the now disbanded Progressive Federal Party (PFP), the National Democratic Movement (NDM) led by Mr Wynand Malan, a leading Afrikaner liberal dissident, and the Independent Party (IP) led by Mr Denis Worrall, the former ambassador to London.

It hopes to do well in the better-heeled white suburbs in the major cities and in English-speaking Natal. But the new party is riven by personal rivalries among the three joint leaders which also reflect papered-over ideological differences.

Its chances of attracting liberal Afrikaner dissidents also received a blow when Mr Willem "Wimpie" de Klerk, elder brother of the NP leader distanced himself from the fledgling party and suggested that fellow *verligtes* (literally enlightened ones) should "give F.W. a chance". The new party received another knock when Mrs Helen Suzman, the veteran civil rights watchdog and scourge of Afrikaner authoritarianism, announced her retirement after more than three decades in parliament.

The NP, which has ruled without interruption since 1948, will announce its manifesto after the party's Federal Council at the end of June. But the main battlelines are already clear. It will counter-attack on the economy by pointing to the near bankruptcy of towns controlled by the Conservative Party such as Boksburg and Carletonville, where the authorities provoked a black consumer boycott by their attempt to re-impose "petty apartheid".

Politically it will call on white electors to continue voting for "reform with security", warning that the CP's policies of white exclusiveness and domination will provoke another black revolt while the DP's policies would lead to whites being swamped by black majority rule.

The language will differ according to the various audiences. To more sophisticated *verligtes* speakers will stress the party's commitment to "power sharing negotiations" with all "reasonable" takers. To the nervous it will emphasise the continuing state of emergency, faith in the security forces and assurances that no vital constitutional changes will be made without a prior referendum or ratifying election.

In previous elections the outside world has been portrayed as a baleful beast to be kept at bay. This time, however, the NP will go to the hustings proclaiming peace with honour. With both the Cubans and the African National Congress (ANC) withdrawing from Angola, government supporters will counter right-wing claims of a Namibian "sell-out" by emphasising the security advantages gained from peace agreements guaranteed by both the great powers.

Mr de Klerk's impending visit to London and Washington will also be used to demonstrate South Africa's return to international respectability and be taken as a sign of foreign encouragement for continuing reform after years of criticism and pressure without reward.

The elections will take place under the restrictions of the state of emergency re-imposed annually since June 1986. Once again blacks, who make up around 75 per cent of the population, will be excluded. Yet the question of how to bring blacks into the body politick in a way which reconciles black hopes and white fears remains at the centre of the political agenda.

Last month Mr de Klerk went to Durban for direct talks with Chief Mangosuthu Buthelezi, leader of the Zulus, the biggest and most warlike of the African nations or tribes. Earlier Mr Nelson Mandela, who is not only the jailed leader of the ANC but also, like Chief Buthelezi, a prince of the old African tribal aristocracy, sent a conciliatory letter to his confrere.

The letter addressed to "Shenge", Chief Buthelezi's tribal name, and similarly signed "Madiba", the ANC leader's own royal name, called for a joint effort to end the bloody violence in Natal, in which more than 1,500 blacks have died in inter-communal violence, and reconciliation between the ANC leadership and that of the Inkatha movement headed by Chief Buthelezi.

"My fervent hope is to see in due course restoration of the cordial relations which existed between you and Oliver Tambo [the ANC leader in exile] and between the two organisations in the seventies. The most challenging task facing the leadership today is that of national unity," Mr Mandela wrote.

It is a moot point whether Mr Mandela's vision of rapprochement between Inkatha and the ANC is shared by the latter's "young lions". But the ANC is in a weak position at home and abroad. Although most of the estimated 30,000 people, mostly blacks, detained under emergency laws have been released many have been served with restriction orders.

Meanwhile, the security forces remain in the townships aided by a re-built informer network. Other factors like the disgrace of Mrs Winnie Mandela and her murderous "football team" and the desire for a quiet life after years of turmoil have left the townships simmering perhaps under the surface, but superficially quiet.

Advancement through education and empowerment through economic upliftment are among the new buzzwords in black communities offered opportunities for owning property and enrichment through enterprise. With the United Democratic Front (UDF) effectively banned and the rhetoric of revolution proved windy black intellectuals are looking to the long term for liberation and seeking inspiration in versions of black power rather than the ANC's multi-racialism.

Privately ANC cadres confess to an undercurrent of black resentment against hard line white and Indian ideologues and the Marxist influence on a leadership exiled too long and out of touch with the changing black reality. Many of the young who went into exile after the 1976 Soweto revolt simply want to return home rather than move from camps in Angola to Tanzania or further afield. Even Moscow is urging a negotiated solution on all sides. Post-election South African politics could be fascinating.

INTERVIEW: F.W. DE KLERK

Brave words from an untried leader

PRESIDENT P.W. Botha, the stubborn, irascible Afrikaner nationalist who presided over a traumatic decade of apartheid reform, black revolt and international isolation, retires after the September 6 general elections. His successor, Mr Frederik Willem (F.W.) de Klerk, who was elected leader of the National Party in February and will almost certainly take over the seal of office as executive State President in October, is a very different kind of man.

AT 53, he belongs to the post-apartheid generation which concluded that Verwoerdian "grand apartheid" just would not work. Mr Botha bravely told whites they must "adapt or die" and split Afrikanerdom down the middle. But he left the task unfinished. Critics like Chief Mangosuthu Buthelezi, who wanted him to move decisively towards power-sharing negotiations, described him as "a man milling around at the crossroads of history."

F.W. de Klerk: "the silent majority await a message of hope"

Mr de Klerk, who quietly manoeuvred Mr Botha into reluctant retirement but scrupulously refrains from any criticism of him, cannot afford the luxury of indecision. It is now generally agreed that the 1984 constitution is seriously flawed and must be replaced through negotiations with South Africans of all races. A decision must also be taken shortly on the release of Mr Nelson Mandela and other ageing black leaders. Otherwise Mr de Klerk will face the domestic and international consequences of allowing them to die in jail.

In an interview with the *Financial Times* Mr de Klerk, who is expected to visit London for talks with Mrs Margaret Thatcher, UK Prime Minister, later this month, confirmed that "one of the priority tasks of the new administration will be to work out a new constitution." The aim, he said, quoting his maiden speech as leader, is to "create a totally changed South Africa which is free of domination or oppression and within which democratic forces can align themselves."

Brave words. But those who liken Mr de Klerk to his reformist Soviet counterpart Mr Mikhail Gorbachev, should take care. The canny lawyer who has spent the past seven years fighting off a strong right wing challenge in the Transvaal, is no more prepared to commit political suicide than Mr Gorbachev. His aim is to adapt the ethnic "group" principle, not to abandon it. South Africans, he says, are ready to search for a new consensus. But given the diversity of the country, he emphasises, "minorities must feel secure before you can create an atmosphere where they are prepared to take the plunge with regard to power sharing."

Mr de Klerk, who in a televised debate two years ago with Dr Andries Treurnicht, the Conservative Party leader, appealed to Afrikaners to "think with your brain cells not your blood cells" also warned die-hard whites that "denial of a political power base to 18m blacks outside the homelands will drive those who seek peaceful change into the hands of revolutionaries."

Aware that "the silent majority await a message of hope", as he said in his leadership speech, Mr de Klerk believes the way forward lies in negotiating a new balance between group and individual rights. Pointing to the recent Law Commission report, Mr de Klerk backed approvingly the suggestion that a bill of rights "should be approved by the entire nation, regardless of race and colour." Underlining his belief that the end result should be a reaffirmation of group rights reinforced by a bill of individual rights, Mr de Klerk commented "I have committed myself to such negotiation and also to expedite this process."

After years of ostracism Mr de Klerk faces a possibly unique opportunity to bring South Africa back into the international community. Thanks largely to superpower co-operation the guns have fallen silent in Angola, independence is on the horizon in Namibia and economic and political ties with frontline states and the rest of Africa are improving. Mr de Klerk, like most white South Africans, argues that sanctions and pressure have retarded reform and helped the recalcitrant right.

"South Africa deserves more understanding and recognition internationally and needs support and involvement in the areas of trade and investment."

Anthony Robinson

THE ECONOMY

Engineering a soft landing

GOLD, always the joker in the South African economic pack, is heading in the wrong direction at the wrong time for policy-makers trying to engineer a "soft landing" this year for an economy which has survived sanctions and disinvestment, and even managed to achieve a respectable 3.2 per cent growth in gross domestic product in 1988.

The problem is that even such modest dynamism is unsustainable for an economy saddled with a bureaucracy it can't afford; and hobbled by trade sanctions, the exodus of more than 200 foreign companies, and above all, by the outflow of $11bn over the past four years.

Putting a brave face on the difficult adjustments required to cope with this politically-inspired haemorrhage, Dr Gerhard de Kock, governor of the South African Reserve Bank (the central bank), recently argued that, technically speaking, South Africa should be seen as "a case study in growth-oriented balance of payments adjustment via market-oriented economic policy."

Dr Steff Naude, who, as director general of the Department of Trade and Industry, is another key economic policy-maker, adds that "sanctions and disinvestment shocked us out of our complacency, and spurred us into shedding our old colonial outlook and replacing it with a new outward-looking export culture."

But Dr Ben Vosloo, who, as head of the Small Business Development Corporation, is in daily contact with the problems of promoting black business development, is less sanguine. He argues that the economy is "quite simply bleeding to death", not only because savings are being used to repay debt or buy-up foreign assets, but because of "the steady drain of skilled people with marketable skills, who are leaving because they see no light at the end of the tunnel".

Beneath this mixed pride in the technical success of the re-adjustment process and fears about the future, however, lies a common thread of frustration at the way an economy – which many see as the motor of socio-economic change inside South Africa, and an essential element in future regional development – has been deliberately sabotaged on questionable political grounds.

The hope is that a more reformist government, under new leadership, will emerge from the September elections, capable of changing foreign attitudes, especially those of the financial community, by taking full advantage of the new perspectives for regional co-operation opened up by the Angolan peace process and forthcoming Namibian independence.

Meanwhile, the adjustment process – including the search for new export products and new markets, and willingness to enter into barter deals and countertrade – is beginning to show up in higher non-gold exports. Its urgency has been underlined by the steady decline in the gold price, and the question-mark that this places over the future of marginal gold mines.

Indications are that the private sector, through rationalisation, re-organisation and the deployment of the cheaply-bought assets of disinvesting foreign companies, has become more efficient, more export-aware and more profitable.

The proof can be seen in record profits and the strong performance of the Johannesburg Stock Exchange prior to the lower gold price. At the same time, parts of the public sector, spurred on by impending privatisation, have also shown impressive efficiency gains – especially Eskom, the electricity corporation, and Iscor, the iron and steel corporation.

Deregulation and the abolition of the previous legal restraints on black entrepreneurship have also sparked off a vibrant parallel economy, which has given new hope to

Continued on Page 4

Composition of GDP: % of share

	1978	1983	1984	1985	1986	1987	1988
Business enterprises							
Agriculture, forestry, fishing	6.6	4.7	4.9	5.8	6.2	6.4	6.0
Mining and quarrying	17.7	15.5	15.2	15.3	14.8	13.9	13.6
Manufacturing	23.6	24.3	23.9	22.6	22.7	23.0	23.7
Wholesale/retail trade catering and accommodation	10.7	11.7	12.2	11.8	11.3	11.4	11.5
Transport, storage and communication	8.3	8.4	8.7	8.8	8.6	8.5	8.5
Finance, insurance, property and business services	12.3	13.5	13.6	13.9	14.1	14.4	14.1
Other	8.7	9.5	9.4	9.6	9.5	9.3	9.4
Less imputed financial services charges	2.3	2.7	2.8	2.8	2.8	2.7	2.7
SUB TOTAL: Business enterprises	85.8	85.0	85.1	85.0	84.4	84.2	84.1
General government	11.8	12.6	12.4	12.5	12.9	13.2	13.2
Other producers (non-profit institutions and domestic servants)	2.4	2.4	2.5	2.5	2.7	2.6	2.7
GDP (factor cost)	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Statistical Service

Creative debt re-scheduling

DR CHRIS Stals, chairman of the Debt Standstill Co-ordinating Committee (DSCC), is working on "something creative" to put in front of foreign bankers before South Africa's current three-year debt re-scheduling agreement runs out next June.

By then, the frozen bank debt should be down to $8bn compared with $14bn frozen when the partial debt moratorium was declared in August 1985. He is optimistic that bankers will take a relaxed view and agree, at least, to continue the gradual re-payment scheme for a further three years.

Partly, debt "inside the net" has fallen as US and European banks have taken advantage of an "exit clause". More than $3.6bn has been converted in this way, from frozen short-term debt into long-term notes repayable over 10 years.

This is in addition to the $1.5bn, roughly 13 per cent of the outstanding principal, which will have been repaid when the current agreement ends, and another $300m converted into financial rand for investment through debt-equity swap arrangements.

As for convertible debt "outside the net", this has risen from $10bn in August 1985 to around $12bn. This partly reflects the impact of dollar depreciation on debt, of which 35 per cent is denominated in pounds, Swiss francs, Deutsche Marks and other currencies. But it also indicates a limited success in rolling over existing loans and modest new borrowing.

Having re-paid interest on all loans and kept to the terms of the re-scheduling, South Africa has ensured that all its creditors have "performing loans" on their books.

"We've gained a lot of credit from the financial community for this – but now we would like some of this credit in hard currency," Dr Stals said. "We shall be doing some innovative thinking before the next debt re-negotiation, and try to get something more than merely an extension of the existing arrangements."

The country is heavily under-borrowed, by any technical analysis. But, Dr Stals continues, "we have learnt a lot over the last few years. If we borrow again, we will ensure that the investments are balance of payments-related, either linked to reducing imports or boosting our exports."

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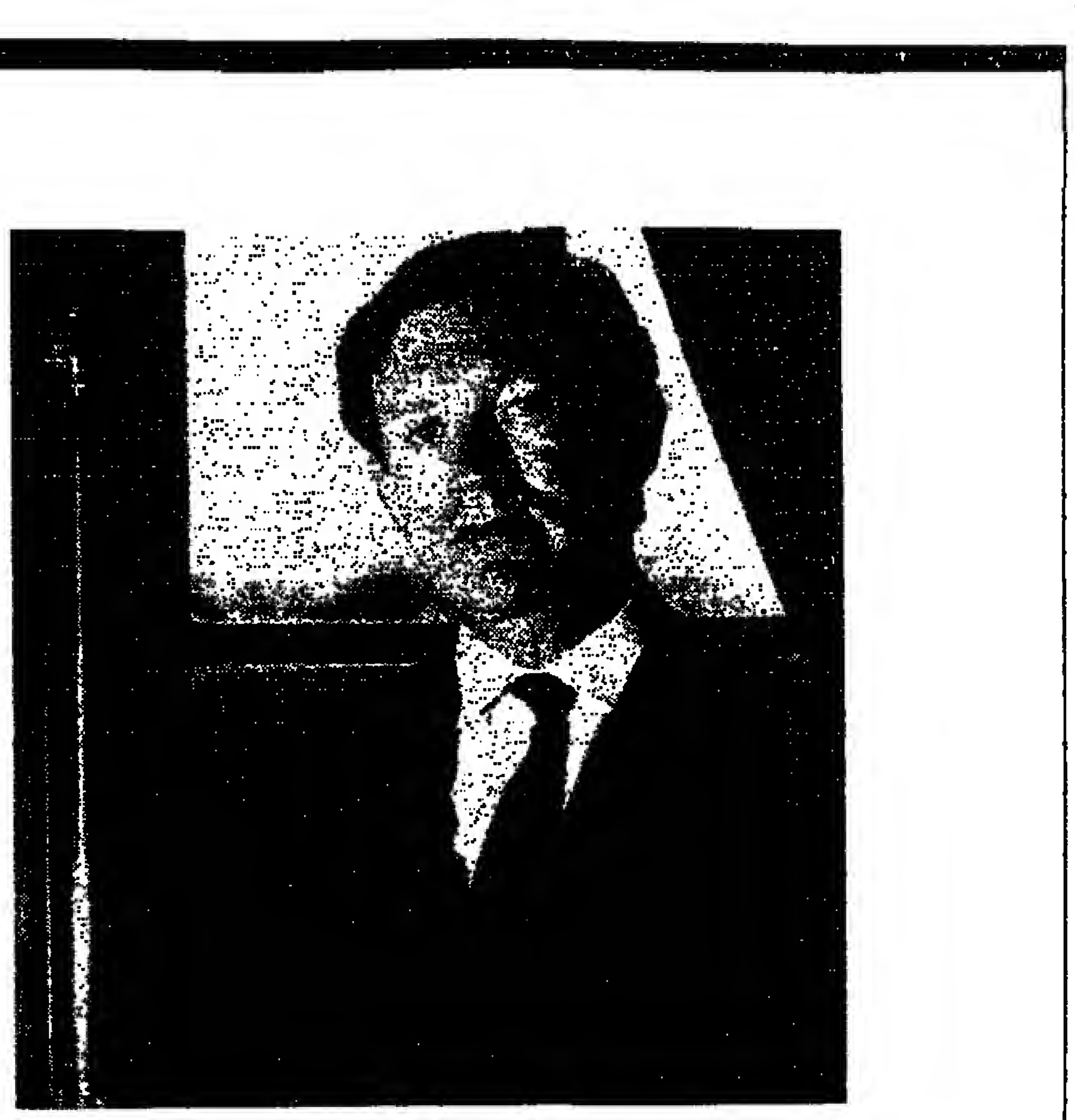
Negotiation Based On Pragmatism Is The Cornerstone Of South African Political Agenda



Mr Neil van Heerden

Mr NEIL VAN HEERDEN, Director-General of the Department of Foreign Affairs talks to JOHN SPIRA about recent developments in Southern Africa.

Spira: *The Namibian independence negotiations have taken what many regard as an inordinately long time to reach the stage they have at present. Even now, problems continue to bring finality of the whole process into question. Shouldn't the process have been wrapped up sooner?*

Van Heerden: The whole regional problem in south-western Africa is an extremely complex one. For a free and fair election in Namibia, one needs to eliminate the intimidatory effect of a strong Cuban presence north of the border in Angola.

To appreciate one aspect of this complexity, consider the number of different parties concerned — the United Nations, the Namibian internal parties, SWAPO, the MPLA, Cuba, UNITA, the United States, the USSR and South Africa. It is an issue which has been dragging on ever since the Second World War. United Nations Security Council Resolution 435 took some time to negotiate — and even that was passed a decade ago.

By contrast, the first exploratory session in the current round of independence talks leading to the Tripartite Agreement signed on December 22 last year, began in London as recently as May 2 1988 — scarcely more than a year ago. When one considers what has been achieved since that first meeting, it represents a breaking of the sound barrier in terms of the normal timeframe for diplomatic negotiations.

Spira: *For the present, the Namibian independence peace process appears to be on track. Do you envisage any further disruptions — such as SWAPO's recent violation of the accord — to that process between now and the scheduled November elections?*

Van Heerden: The calendar is tied to the implementation of Resolution 435 and we would be most unhappy if anything should happen to disrupt that calendar. If we were to have a repeat of the April 1 SWAPO invasion, that could be terminal for the settlement, because then it would be impossible to convince the non-SWAPO supporters in Namibia, as well as the broad public in South Africa, that SWAPO is a viable partner in the peace process.

We were able to convince the broad public that the breach occasioned by the SWAPO invasion had been healed. But, quite frankly, I don't think we could do that a second time. I wouldn't like to try.

Spira: *South Africa's pivotal role in the negotiations has accorded the country a high international profile. Has South Africa emerged favourably from such exposure?*

Van Heerden: The high profile is a spinoff of the intense interest on the part of the international community in a resolution to this regional problem. Given the traditional criticism of South Africa by much of the international community and the media coverage given to the negotiations, South Africa has had to consider its strategy in the light not only of normal factors but also the impact of any particular action upon South Africa's international standing.

It has also given South Africa an extra incentive for negotiating responsibly and complying fully with its undertakings. I think some improvement in international perceptions of South Africa has been achieved as a result.

Spira: *Has that improvement contributed towards heading off further anti-South African sanctions action which might otherwise have been forthcoming?*

Van Heerden: Our participation in the Namibian negotiations saw South Africa acting in a serious, responsible and constructive manner. This was contrary to the way many have perceived South Africa up to now. There is seen to have been a subtle shift in attitude that has softened foreign antagonism. But that's taken place only to a certain extent and in certain quarters.

It has also, to a degree, had the effect of blunting the sanctions impetus. Yet the extent of that effect is difficult to assess, because it is also true that the futility and irresponsibility of sanctions has become more manifest to many who were previously in favour of the idea.

Spira: *Has progress towards Namibian independence altered the relationships between South Africa and its neighbours in southern Africa?*

Van Heerden: Last year the State President visited Mozambique, Malawi, Zaire and the Ivory Coast. This does not happen as a matter of course. In addition, informal ties with South Africa's neighbours have generally improved over the past year in all sorts of ways. The extent to which the peace talks contributed to the improvement is difficult to gauge but there can be no doubt that they were a factor.

Spira: *That may very well be true. But South Africa's apartheid policy is bound to continue souring its relationship with its black neighbours. How does the Namibian peace plan help towards solving this dilemma?*

Van Heerden: In essence, I believe the Namibian peace initiative should be seen in a far broader context. One should see it as an expanding peace accord which is spreading not only across southern Africa but into South Africa. A South African government which had previously been regarded as rather difficult to talk to is now demonstrating that it is not only willing but also capable of negotiating settlements rather than solving problems in a confrontational manner.

The Namibian initiative has had a profound impact domestically. People in South Africa now have a heightened belief in achieving solutions by constructive negotiation as a result of what has happened in Namibia. Consider that 18 months ago one could not have envisaged having made such dramatic progress in Namibia. The mind boggles at the thought of what can be achieved inside South Africa in the next 18 months.

Already an increasing number of South Africans — black and white — are saying that the confrontational approach is evaporating from the national debate. They're saying: "Why should I burn down my house in order to convince others of my attitude? Let me rather just sit down and convince him at a negotiating table."

Significantly, all this has come at a time when internationally there is a greater preparedness to talk, Glasnost being just one example.

Spira: *South Africa's relationships with Mozambique appear to have improved. Do you see a continuation of this process?*

Van Heerden: Yes. And now that we have the Namibian/Angolan settlement underway, we'll be working very hard on a formula for greater co-existence with Mozambique.

There are many compelling reasons for doing so. Mozambique is situated right on our doorstep. Accordingly, we must do our level best to forge a workable relationship with them.

We believe that the very wide ideological differences between the two countries have been narrowed in the sense that there is greater acceptance of the need for us to live together as neighbours.

The Mozambicans themselves have adopted a more flexible approach — in particular in relation to free enterprise. A large number of South African firms find that conditions are now more conducive to their presence there — just one area that offers enhanced possibilities of finding a formula for co-existence.

Other examples. Maputo is a natural port for the industrial heartland of South Africa. Also, there are undramatic but important health considerations. Last year, malaria was becoming endemic in Mozambique. We have a real interest in preventing that from happening again.

Internationally, South Africa has been harshly criticised for what has been perceived as offering assistance to Renamo. It would benefit our image greatly abroad if we can dispel that ghost. No support will be given to Renamo. We must demonstrate that to the government in Maputo and also internationally.

If you look at the broad spectrum of southern Africa, you have a settlement in the west and the prospect of better relationships in the east. In this light, the whole picture in southern Africa takes on a different and more positive perspective.

Such a process will not only be of benefit to South Africa but of benefit to the whole region, because outside investors will now take a more positive view of our part of the world. If we make a mess of things in southern Africa, the world will turn its back on all of us, because our destinies are tied together.

The image which southern Africa had some years ago — one which held that violence was the only growth industry — was bad for all of us. If we can get back to a situation of normality and demonstrate to the world that we have found a formula to live together in peace and with political justice, to get our economies going and to exploit our internal markets and produce goods for export, then you are beginning to produce the kind of image that will attract the outside world.

This is South Africa's primary foreign policy objective.

Spira: *Is South Africa still getting large numbers of refugees from Mozambique?*

Van Heerden: Yes, though the numbers are down from the highs of early last year. It is a spinoff of the turmoil inside Mozambique — another reason why Mozambique is a priority for us. If the turmoil stops; if an accommodation is found between Renamo and Frelimo, the violence will stop and the refugees will stop.

We have taken the view that it would greatly enhance the chances of a return to normality if the government in Maputo could find ways and means of reconciling themselves with Renamo. But they must want to do it. Our capacity to bring that about is, regrettably, limited.

Spira: *Have the Namibian negotiations coloured South Africa's longer term relationships with the United States, Cuba, the Soviet Union and Angola? If so, in what way?*

Van Heerden: The negotiations have certainly altered the nature of South Africa's immediate relations with the other parties involved. After all, they have had to engage us in negotiations, with the result that we have had to encounter one another, get to know one another and grapple with one another's (often differing) points of view.

In such circumstances, altered relationships are inevitable. We have been to their capitals and they have been to ours. Our journalists have been to and reported on their countries and their journalists have done the same in South Africa. This is bound to improve understanding — irrespective of whether or not the gap between our respective countries. This has altered our longer term relationships with them.

Nevertheless, there remain fundamental difficulties as to how we perceive each other. Only time will tell to what extent these will obstruct an ongoing improvement in these relations.

One thing is, however, clear, South Africa must be prepared to stand on its own two feet in every sphere, while at the same time concentrating on finding solutions to its fundamental problems.

Spira: *Should SWAPO win the election in Namibia, do you feel South Africa's security would be jeopardised? What defence measures are envisaged in such an event?*

Van Heerden: I don't believe South Africa's basic security will be jeopardised. Ultimately, whether or not that security will be negatively affected will depend on the attitude of Namibia's new government — whichever party wins the election — towards South Africa. An unreasonably hostile attitude would regrettably oblige us to take the necessary counter-measures. What these would be would depend on the circumstances.

Spira: *Namibia has long been dependent on South Africa for its economic wellbeing. How will the territory's economy fare once independence is attained?*

Van Heerden: To a large extent, this will depend on the government which comes to power in an independent Namibia. If the policy is one of peaceful co-operation with its neighbours — especially South Africa — as well as one of responsible government reflecting genuine democratic values, then it will enjoy the benefit of a fully co-operative attitude from South Africa, which has a large stake in the peaceful co-existence of the region.

Western governments have also indicated that they would be keen to ensure that as much development takes place in the territory in these circumstances.

However, if the path chosen by the Namibian government is aggressive, confrontationalist and highly ideological, then it will be difficult to achieve the regional and international co-operation required for Namibia to flourish.

But even then, it would be difficult for South Africa to turn its back on Namibia. A strong umbilical cord exists and it will remain after independence. There are ethnic ties and an involvement which goes back more than a century. It is certainly not in our interests to have an impoverished Namibia on our doorstep.

The relationship will go beyond trade. We share a customs union and a transportation and communications network — links which cannot be severed overnight.

Spira: *How will Namibian independence impact on the South African economy? Surely South Africa's reduced level of financial support and the fact that it will no longer maintain a military presence there will provide the South African economy with a significant shot in the arm?*

Van Heerden: An independent Namibia will benefit South Africa in both a political and economic sense. Hopefully, Namibia will be able to attract international investment, leading to greater economic upliftment of the whole southern African area.

The many scarce resources which South Africa has until now been applying to the fulfillment of its obligations in Namibia will in future operate to the benefit of South Africa itself.

Spira: *Are international sanctions against South Africa, along with disinvestment, harming the country? What has South Africa been doing to ameliorate its effects? Do you see those pressures easing up or intensifying in the years ahead?*

Van Heerden: Sanctions are clearly disruptive to all involved. They are harming the country — but in a way quite different from that intended by the protagonists. They bring about hardship — for example, unemployment — for the very people whose cause the sanctioneers profess to espouse.

Because sanctions are seen as a punitive measure, they tend to polarise opinion and, in the end, obstruct peaceful avenues for resolving problems.

South Africa has been forced to explore new trading options and in most cases has been successful. In many fields we shall never return to the patterns of yesterday — an observation which covers all areas of sanctions, including technology, trade and capital sanctions.

To the extent that sanctions have been applied in the cultural and sporting arenas, sanctions are harmful insofar as they feed the isolationist tendency in South Africa, which is already inherent by virtue of its geographical situation.

If decisions in South Africa deviate from the spirit of our time, this should come as no surprise to those who wish to isolate us. Much more would be achieved by making South Africa a part of the family of nations than by casting it out.

Important, too, is the fact that the resources employed in countering the harmful effects of sanctions could be far more productively spent in resolving the social, economic and political problems of South Africa.

Spira: *Have the Americans changed their attitude towards sanctions?*

Van Heerden: Opinion-makers there are beginning to question the wisdom of sanctions and disinvestment because it is excluding the Americans from the opportunity of influencing the South African scene. In the end, the Americans will boast a big brave monument to all the sanctions and to all the American companies that have been forced out of South Africa. But that monument will stand in the United States, not here.

Spira: *The South African Chamber of Mines recently commissioned a survey which showed that the vast majority of blacks in South Africa are opposed to sanctions. How has this been received in the United States?*

Van Heerden: Many have tried to discredit it. But it doesn't alter the fact that the survey contained some pointed statistics. It was a wide sample; the matrix used was a standard, accepted method of polling; it was done by a recognised American pollster and the majority of those polled were members of trade unions. So I've no doubt that despite the sniping, the information contained in the research will be noted in many a quarter in Washington and New York.

Spira: *South Africa has long been providing assistance in various forms — transport, technology, medical help, electricity generation — to its neighbours. Is such assistance continuing? Is it at a higher or reduced level than formerly? How does it interface with the Southern African Development Co-ordination Conference (SADCC)?*

Van Heerden: South African assistance to its neighbours continues to grow. This is not entirely altruistic. After all, South Africa wants to demonstrate the benefits of constructive relationships between southern African states — that all the countries in the region can benefit by building up their infrastructure and improving their peoples' standards of living.

The SADCC is designed to seek independence from South Africa. To the extent that its activities encourage self-reliance and economic advancement, its activities are to be welcomed. There is no contradiction between these activities of the SADCC and the ongoing South African assistance programme to African states.

Spira: *Is Mrs Thatcher likely to visit South Africa in the near future?*

Van Heerden: It's for Mrs Thatcher to decide when she will visit us. She would, of course, be very welcome, because she has shown considerable understanding and interest in our part of the world. Given the very substantial historical and cultural ties between the two countries, it's perfectly understandable that she should at some time in the future wish to visit South Africa.

It's also relevant that Mrs Thatcher has taken a very strong and amply motivated stand against sanctions. I believe she is greatly respected for that stand — not only in South Africa but even by those who disagree with her.

Spira: *To sum up, how do you see South Africa evolving in the next decade or so?*

Van Heerden: Imagine trying to have that question about SWA/Namibia as little as two years ago!

If one looks back at the immediate past in South Africa, one sees a string of legislative measures moving the country towards a race-free society. Laws involving race and sexual relations, trade unions, sport, taxation, political parties, immigration, identity documents, hotels, restaurants, cinemas, theatres, freedom of movement (to name but a few) have been scrapped.

This formal dismantling of the apartheid edifice has been accompanied by all kinds of changes in the day-to-day lives of ordinary South Africans. It is a trend that must and will continue.

There are two contrasting views of our future — the one apocalyptic, destructive, revolutionary and based on violence; the other optimistic, constructive, evolutionary and based on negotiation.

Despite the sanctioneers and pro-isolationists whose actions seek to push us into the former camp, I have no doubt that the trend away from ideology will continue. Negotiation based on pragmatism will predominate. This will enable South Africa to evolve further into a prosperous, free and just society for all. It won't be easy but it's certainly worth working for.

For further information about South Africa write to the South African Embassy, Trafalgar Square, London WC2N 5DP or Department of Foreign Affairs, Republic of South Africa, Private Bag X152, PRETORIA from whom copies of this interview can be obtained.

FOREIGN AFFAIRS: Patti Waldmeir on Pretoria's changed image

Superpowers' new attitudes help to generate flexibility

THERE IS no shortage of praise for Mrs Margaret Thatcher in South African government circles at the moment. So it is scarcely surprising that Mr F.W. de Klerk's first foreign trip as National Party chief should include a visit to Pretoria's favourite western leader in London.

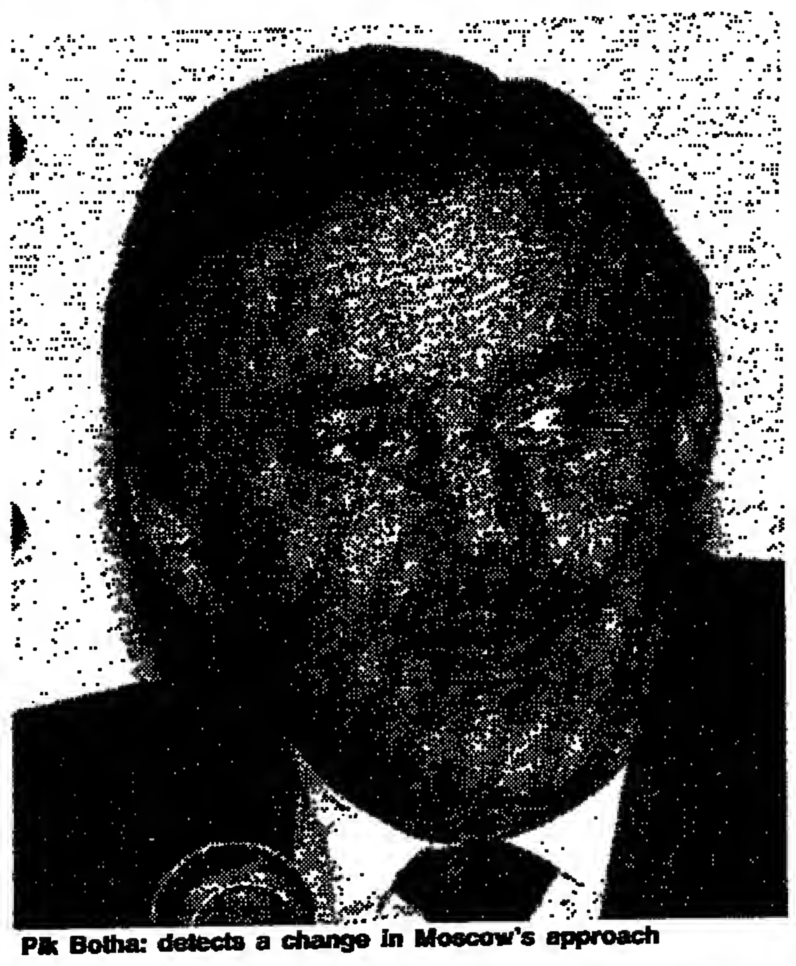
Again and again, ministers single out Mrs Thatcher for her opposition to sanctions and what they see as a more "constructive" attitude to South Africa's problems. They insist that Mrs Thatcher's support has done more for the cause of reform in South Africa than the sanctions imposed by many of her western colleagues.

"As the great powers withdraw, those with a historical interest in the region, like Britain, play a greater role," says Mr Kent Durr, the minister with responsibility for sanctions.

It is precisely this shift in superpower relations with southern Africa – reflecting new warmer relations between the superpowers themselves, as well as a marked shift in the Soviet Union's assessment of its interests in the area – which has created greater flexibility in the region than has been seen for many years.

"The Soviets have come to the conclusion that they have gained very little from their involvement in Africa, and certainly nothing from any conflict in Africa," says Mr Pik Botha, South Africa's outspoken Minister of Foreign Affairs. He predicts that this change of attitude will put pressure on the African National Congress (ANC), which receives significant military and other support from Moscow.

Mr Botha has had ample time to form a judgment about



Pik Botha: detects a change in Moscow's approach

other elements of Soviet foreign policy, have prompted Moscow to reassess its goal of installing socialism in South Africa. The report foresees possible co-operation with the West in securing a peaceful settlement in the region. And although it notes that Moscow has no direct influence in Pretoria, it can exert considerable pressure as benefactor of the banned ANC, which has in any case sustained a major setback with the closure of its bases in Angola as part of the Namibia peace settlement.

It is this settlement that has given Pretoria the image of a government with which the international community can do business – scarcely the image projected by South Africa in the past, and one which it appears to be enjoying wholeheartedly. Despite its brutal response to incursions by South West Africa People's Organisation guerrillas in northern Namibia in April, Pretoria continues to hold the moral high ground over the Namibia issue. It also points to improved relations with some of its black neighbours in the front-line states and elsewhere on the Continent.

Ministers highlight a recent speech by President Kenneth Kaunda of Zambia in which he spoke of co-operation between southern African states, including South Africa. The Government is choosing to treat this as implicit recognition from a black neighbour of the Republic's natural role in the region, and an indication of a change in the vilificatory tone which has long been adopted by the front-line states. But President Kaunda has always held out the possibility of co-operation with Pretoria after the abolition of apartheid, and any change in emphasis is surely slight at best. Meanwhile, relations with the leader of greatest strategic importance in the region, Zimbabwe's Robert Mugabe, remain strained.

It is certainly true, however, that South African officials have collected an impressive set of African stamps in their passports over the past year. Mr Pik Botha has been received in Congo and Egypt, President P.W. Botha in Malawi and Mozambique; but whether this reflects a genuine change in African attitudes towards the Republic, or simple fear of its powers of retaliation, remains to be seen.

Indeed, throughout the period when Pretoria has been stressing its improved relations with Mozambique – including the provision of non-lethal military aid to the Frelimo government – US and Mozambican officials have insisted privately that South Africa was continuing to support Renamo rebels in contravention of the Nkomati peace accord of 1984. And though South Africa highlights various diplomatic initiatives in the economic sphere – the Sua Pan soda ash project in Botswana, and the Highlands electricity scheme in Lesotho, for example – it is worth noting that the benefits of both to the South African economy are significant.

The rhetoric of the front-line states on sanctions does appear to have altered in recent months, reflecting a pragmatic assessment of their dependence on the Republic – at the same time as the impetus has gone out of the overseas campaign for sanctions.

The rhetoric of the front-line states on sanctions appears to have altered recently

his Soviet counterparts during protracted negotiations to secure independence for Namibia. Contacts continue, via the Joint Monitoring Commission set up by South Africa, the Soviet Union, US, Cuba and Angola to monitor the Namibian independence process.

Now that a Namibia settlement looks assured, the Soviet Union is understood to be keen to get Pretoria to the negotiating table over its own internal problems. According to a recent report from the influential South African Institute of Race Relations, which sent researchers to Moscow to elucidate the new Soviet policy in the region, "the goal of current Soviet policy is to end apartheid, rather than capitalism, and to do it if at all possible by peaceful means."

The report concludes that the domestic economic considerations, which are driving

Pretoria's friend: Mrs Thatcher continues to oppose sanctions

'The Soviets have concluded that they have gained little from involvement in Africa'

SASOL

Helping to fuel the imagination of South African artists.

NAMIBIA: Elections in November look likely

The fraught path to true independence

WHEN HE asserts that freedom and independence from South Africa are the only issues in Namibia's forthcoming elections, Swapo leader Mr Sam Nujoma treads a safe electoral path. Such rhetoric has won other post-colonial elections in Africa; the reality, however, is far more complex.

Even independence itself is not yet guaranteed. Privately, South Africa questions the political will of Swapo (South West Africa People's Organisation) to go through with independence elections on November 1. And Swapo doubts South Africa's commitment to leave Namibia.

But it seems increasingly likely that Namibia will indeed hold elections in early November as planned, and that independence for the territory will follow. The next five months could provide ample opportunity for sabotage on all sides. But the vested interests of the many parties to the process – not only South Africa and Swapo, but also the US, Soviet Union, Cuba and Angola – all converge at the same point: independence for Namibia.

In the fraught days of early April, with Swapo guerrillas and South African troops engaged in the heaviest fighting of the 23-year war, such a scenario might have seemed fanciful. Swapo had shown shocking duplicity in its decision to infiltrate 1,800 guerrillas into northern Namibia, in blatant violation of the terms of the April 1 ceasefire. And South Africa's response was brutal by any standards, leaving 317 guerrillas dead.

The next five months could provide ample opportunity for sabotage on all sides

Yet scarcely seven weeks later, Swapo fighters had been banished to bases north of the 16th parallel in Angola, and South Africa had confined its troops to base in Namibia. Angola, Cuba and South Africa – members of the so-called Joint Monitoring Commission, which also includes the Soviet Union and the US – had pronounced the peace process back on course; and the United Nations Transition Assistance Group (Untag), which finally had its 4,500 troops and 500 policemen in place in Namibia, did likewise. The independence timetable was again being pursued with vigour.

Various target dates have been missed in the timetable for implementing UN Resolution 435 for Namibia. But South Africa says it can meet its troop reduction deadline: 1,500 troops, confined to base, by June 24. And the other crucial prerequisites to an election – the repeal of some apartheid laws, the release of political prisoners on both sides, the return of tens of thousands of refugees and the promulgation of an electoral law – are either in place now or seem likely to be agreed in the near future.

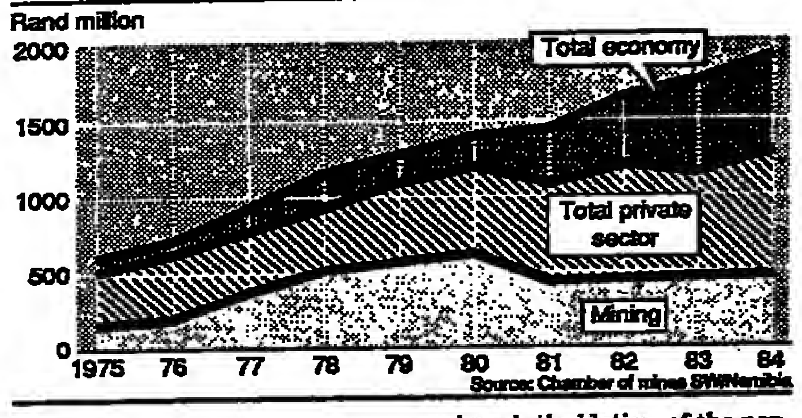
Peace has been decades in the making. South Africa's administration of the territory, a former German colony, has been disputed by the international community since 1946.

In 1978, the UN passed Resolution 435, calling for UN-supervised elections leading to Namibian independence. The following 10 years brought increasing domestic pressure on South Africa to pull out, because of the cost of the war in both rands and men, and a crucial re-assessment of superpower interests in the region, especially by the Soviet Union.

Finally, on December 22, 1988, peace accords were signed in New York, covering the linked withdrawal of 50,000 Cuban troops from Angola and South African troops from Namibia. Africa's last colony was promised independence.

P.W. Botha with Soviet, Angolan and Cuban delegates at Namibian independence talks

Contribution of mining industry to Namibian GDP



KEY FACTS

Area: 823,168 sq km
Population: 1,088,000m (1983)
Gross national product: R1,820m (1982)
GNP per capita: R1,764*
People per hospital bed: 55 (1981)
People per physician: 126 (1977)
Infant mortality rate: 116 per 1000 (1982)
Life expectancy at birth: 60 years (1982)
No. of school pupils: 228,287 (1980)
Percentage of population at school: 21%*
Pupil/teacher ratio: 29.5:1
Literacy: 38% (1960)
* Provisional
Source: Chamber of Mines SWA/Namibia

Swapo was neither a signatory to the accords (though it agreed to abide by their terms, in a letter to the UN), nor even a central party to the negotiations. Yet internally, it has the most to gain from Namibian independence.

Swapo's tragic miscalculation in the matter of the April 1 incursion has cost it untold support within the international community; but among potential Swapo voters, damage appears to have been at worst limited.

"Nujoma was trying to follow the Mugabe model for electoral victory," says one veteran Namibian political commentator. "But without a single square inch of Namibian territory to claim as a liberated area, campaigning on a liberation platform was difficult. Swapo needed to project an image of success."

Swapo's rout by the South Africans can scarcely be claimed as such. But the 250-to-300 guerrillas who went underground after the fighting could prove an important electoral tool. If they are, as is claimed, political commissars of the liberation army, their influence on the northern electorate could be significant. In an area where Swapo claims serious intimidation of the population by the South West African Police, Swapo may wish to ensure that it can exercise persuasion of its own.

As a liberation movement with a solid political base among the Ovambo tribe, which accounts for half the Namibian population, Swapo ought to have a tremendous advantage in the November elections. Over 40 parties will fight the election, which will choose members of a constituent assembly charged with drawing up a Namibian constitution.

But there are only two major players: Swapo and the Democratic Turnhalle Alliance (DTA), a rainbow coalition of parties which, like Swapo, enjoys considerable financial support from abroad. Dirk Mudge, a veteran white politician who leads the DTA, says gaining a majority will be difficult for either side; but many commentators believe 30 per cent may not be outside the DTA's reach.

If one of the parties gets two-thirds of the vote – only a possibility in the case of Swapo, and an uncertain one at that – it writes the constitution unaided. If no one does, then other parties must be brought into the process.

The consensus view in Windhoek is that Swapo could get 50 per cent of the poll, but not a two-thirds majority. But in the coming weeks, the consensus is likely to prove unstable. Campaigning has not yet begun; Swapo's exiled leaders have yet to return; and the emotions of Namibians are not yet fully engaged in the electoral process.

The next few weeks hold many hostages to fortune. Thousands of refugees will return to Namibia; but, whereas the international community has paid Swapo to support 80,000 such refugees over the years, only half that number had registered with the UN by the end of May, and Swapo was being accused of having manufactured refugees where none existed.

The release of Swapo detainees poses a further threat: a group of Namibian parents has published a list of those said to have gone missing in Swapo camps; failure to produce them could cause grave electoral damage. Political assassinations are a further possibility. The last real brush with independence in 1978 provoked a wave of killings, and Swapo faces a difficult decision in determining when to bring exiled leaders back to Namibia.

And divisions may well emerge within Swapo itself. The leadership's failure to speak with one voice in explaining the April 1 incident has led to speculation that the decision to move was not unanimous. Speculation focuses on information and publicity secretary Hidipo Hamutenya, a far more vibrant personality than leader Sam Nujoma.

If Swapo wins, either outright or with donations of votes from other minor parties, the temptation to declare a one-party state might prove irresistible – though party spokesmen deny this is the goal. The party's plans for the economy are even less clear than its political intentions: beyond assurances that there would be no widespread nationalisations, Swapo's declarations are vague and confusing.

Radical elements in the leadership clearly believe that economic dependence on South Africa is no more acceptable than political dependence. But more moderate spokesmen acknowledge that, with 95 per cent of imports coming from South Africa, the country's only major port controlled by South Africa and business and finance dominated by South African groups, achieving a measure of independence will be a slow process.

In the end, any one of a number of scenarios is theoretically possible in Namibia, ranging from civil war to peaceful democratic cohabitation. What seems most likely at the moment is that Namibia will eventually take its place among the constellation of minor states which surrounds South Africa, little more threat to the Republic than Lesotho.

But though South Africa's decision to give up its colony has been welcomed in the West as a show of political willing, its significance should not be over-estimated. Namibia is not South Africa – its population, officially put at 1.1m and unofficially at 1.6m, is less than that of Soweto alone – and allowing black rule in somebody else's country is a far cry from allowing it in South Africa itself.

Patti Waldmeir

Engineering a soft economic landing

Continued from page 2

formerly unemployed blacks and, incidentally, influenced black attitudes, both to sanctions and the relative merits of "socialism" versus free-enterprise capitalism.

The main constraints on growth remain government inability to curb its spending, especially on politically-inspired pay rises and apartheid-linked bureaucracies, and the need to run a sizable current account surplus to repay foreign debt. In practice, this places a 3 per cent ceiling on economic growth. Recent experience has shown that any faster growth sucks in imports at an unsustainable rate, and puts unbearable pressure on the gold and currency reserves.

Since Pretoria declared a partial debt moratorium, in August 1985, the country has repaid about $6bn of the $23.7bn debt then outstanding. Due to exchange-rate changes, however, the net outstanding debt at end-1988 remains at $21.2bn, as most of the debt is denominated in Deutsche Marks, Swiss francs and sterling, which have all appreciated against the dollar.

In addition to the official debt repayments, another $5bn have left the country through various clandestine channels over the last four years, as businesses and individuals have taken capital out of the country to protect themselves against further rand depreciation, and sometimes to reinvest in South Africa as nominally foreign investors. This enables them to take advantage of the 40 per cent discount on the financial rand. (The two-tier rand system was re-introduced in August 1985, with a commercial rand rate for all current transactions, including dividend repatriation, and a financial rand for capital payments, including investments and disinvestments).

Over the next three years, Pretoria faces a substantial bunching of repayments, unless creditors agree to quietly roll-over their debts. Renegotiation of the three-year re-scheduling agreement with foreign banks is likely before the current agreement expires in June next year. Up to $1.3bn of debt "inside and outside the moratorium net" are repayable this year, followed by $1.9bn in 1990 and a further $1bn in 1991. South Africa, already one of the world's least indebted economies, will be technically heavily under-borrowed by then.

The irony is that by forcing South Africa, a developing country, "to export capital like a little Switzerland" (to use one of Dr de Kock's favourite sayings), Africa's most dynamic economy is having to be reined in before it can achieve the sort of 5 to 7 per cent growth of which it is theoretically capable, and which is necessary if black unemployment and a near 3 per cent population growth rate is to be absorbed.

Last year's 3.2 per cent growth translated into the first rise in per capita income since 1984. Over the last four years as a whole, the GDP grew by only 4.3 per cent, while the population grew by over 10 per cent to around 36m, if citizens of the four "independent" homelands are included.

The Government has had to raise taxes and interest rates

This year the Government has been forced to raise taxes and interest rates, in an effort to engineer a "soft landing". It hopes this will reduce growth to around 2 per cent – without pushing the economy into the sort of recession which helped spark off the 1984-85 township revolt in which over 2,500 blacks died.

The need to apply the fiscal and monetary brakes stems from the pressure on reserves caused by last year's 22 per cent rise in the volume of imports against a 7.2 per cent rise in exports. Faster growth not only sucked in imports, but depressed the rand in the process, so stimulating inflation, which is likely to rise to 17 per cent this year from 13 per cent in 1988.

The combination of rapid growth and a declining gold price led to a sharp fall in the all-important current account surplus last year, to R2.93bn from R6.15bn in 1987. The reduced surplus, coupled with a heavy capital outflow in excess of R5bn, resulted in a R1.2bn fall in reserves to R3.7bn – a level substantially below those of neighbouring Botswana, which has only 1m inhabitants but rich diamond deposits.

Faced with a plummeting gold price, the prospects for future growth depend heavily on squeezing greater productivity out of the system as a whole and increasing non-gold exports, particularly manufactured goods.

While higher prices for other minerals and a large agricultural export surplus will help offset gold's weakness this year, the main hope for sustainable growth lies in the effort being made to exploit new geographical markets in the Far East, Latin America and even eastern Europe. The next few years will see heavy investment in manufacturing aimed at adding greater value to the country's traditional mineral base by downstream processing.

Anthony Robinson

Jim Jones on a financial sector looking for fresh pastures

Playing with new rules

STRICT EXCHANGE *controls*, in place for almost 30 years, are increasingly distorting South Africa's financial services sector.

Deregulation – designed to place banks and the formerly mutual building societies on an equal footing, and to improve *efficiencies* by encouraging competition – is not working as expected. And, as exchange controls are tightened to conserve foreign exchange needed for scheduled debt repayments, businessmen are becoming increasingly determined to circumvent controls and get *money* out of the country.

In recent weeks, this drive to externalise money has degenerated into disclosures of frauds and illegal foreign-exchange transactions, which have cost the reserves several hundred million rands. It has also prompted the South African *Reserve Bank to set up a new* regulatory division to oversee the commercial banks' foreign exchange operations.

South Africa has long been an over-banked country. But the situation has approached the chaotic at times, as the banks have shifted into mortgage *lending and building soci*eties have moved into the commercial banks' traditional domains. The result has been a significant narrowing of banking margins, leaving several financial groups faced with the choice of going to the wall or merging to escape competition.

Disintermediation – in which cash-flush businesses lend to others in need of funds, at rates favourable to both and without going through the banking sector – is growing and putting further pressure on the banking system's ability to generate business.

First National, the *former* Barclays and the banking group with the largest asset base, underscored the sector's problems in its last financial year. Its mortgage lending increased by 122 per cent to R3.1bn while total assets rose by 37 per cent to R28.2 bn. *Mortgage lending* was the most secure outlet as corporate demand for credit remained flat, and as the consumer spending boom, orchestrated by low interest rates, was reined in to curb imports.

All banks were affected by the Reserve Bank's reluctance to *allow interest rates to rise* ahead of October's municipal elections, and the effect on First National was to prevent the bank earning more than 0.7 per cent return on its total assets. That is half of the 1.4 per cent the bank itself estimates is needed if it is to generate internally the capital needed to support an annual 16 per cent increase in assets and pay dividends twice covered by earnings.

Johannesburg banking analysts see problems looming. Most banking companies need to strengthen their equity *bases to comply with more* stringent balance sheet ratios required by recent legislation. The analysts warn that investors may not be attracted to new rights issues by banks such as First National, whose returns on assets are low.

First National is not alone in *having problems. Concentra*tion of ownership of the private sector has put pressure on smaller financial services companies outside the major groups. In the second half of its last financial year, Corbank, the former Hill Samuel, barely remained in the black. Its merchant banking activities were not able to stand up to competition from the merchant-banking arms of the major banking groups. They received cross-*marketing benefits from their* controlling companies. Corbank stumbled into gilt dealing losses, as it relaxed controls in its efforts to compensate for below-budget merchant banking profits.

Elsewhere, deregulation has been accompanied by the rapid forging of links between banks and building societies during the past two years. United, the largest building society, agreed an exchange of shares with fifth-largest bank Volkskas. And Permanent Building Society, the second largest, merged with Nedbank, after an attempt to retain mutual status had restricted the society's ability to attract finance.

Analysts expect considerably more rationalisation inside the financial services sector in the next four or five years, and say it will probably be designed to absorb strong institutional cash flows.

That is not the principal concern of the banks, which want to tap into the cash flows and reserves of insurers and pension funds. Securitisation – the bundling of financial instruments, such as mortgages or credit card receivables, to make them attractive *to large investors* – *is starting* to gain acceptance among banks, which are able to convert balance sheet assets into funds for further lending.

JOHANNESBURG STOCK EXCHANGE

Market feels the heat

THE JOHANNESBURG Stock Exchange regularly suffers from its own version of global warming, the greenhouse effect, as growing volumes of cash chase a shrinking pool of good quality shares.

Institutional cash flows remain bottled up inside South Africa, while exchange controls remain in place; and their pressures have been intensified by this year's removal of prescribed asset requirements for insurance companies.

The insurers are no longer obliged to place a fixed proportion of their assets in gilts and semi-gilts, and they have responded by targeting further investment in equities. It is estimated that about R30bn has been freed for investment in ordinary shares by the scrapping of prescribed asset rules. That is equivalent to one year's total turnover on the Johannesburg Stock Exchange (JSE).

The pressure of strong institutional cash flows has also been intensified by scrip shortages, arising from the *strength of industrial* companies' balance sheets. Blue-chip industrial companies are largely able to finance their own development programmes, and are not turning to the market for new capital; and large investors are unwilling to sell investments which may be difficult to replace.

The result has been to overturn conventional wisdom. In the past, industrial shares have followed those of gold mines. Most of this year, *however*, industrials have moved ahead, while golds have weakened in response to falling international gold prices. Gold's sharp drop, in the latter part of May, aborted the industrial indices' advance, but not because institutions were sellers of industrial shares. Rather, the institutions drew back from the market, but were unwilling to sell their industrial share investments.

An argument heard increasingly from investment analysts is that the major industrial companies are now virtually impregnable. Their assets are well-financed, and they have well-established market shares. Barriers to the entry of competitors are perceived as too high, particularly as the divestment campaign precludes new investment from abroad.

Divestment continues to provide the main outlet for institutional funds, with privatisation as an alternative around the corner. Neither results in wealth creation, merely transfer of ownership.

Paradoxically, the JSE's role as a source of capital is soon likely to be tested by the mining houses, despite gold's persistent weakness. GFSA's capital requirements became one of the arguments in the Minorco/Consolidated Gold Fields battle.

The South African group needs additional capital to complete its Northam platinum mine, to start its Kalkoenkrans gold mine and to develop its Gamsberg lead/zinc project. But its capital raising was preceded late in May by Gencor, the country's second largest mining group, whose R1.5bn rights issue planned for June will be the largest ever to pass through the JSE.

It is expected to be followed by JCI, which will soon be financing its South Deep gold project; and Anglovaal is starting to look for capital for its Sun gold venture in the Orange Free State.

Jim Jones

FOREIGN INVESTMENT

Overcoming the apartheid handicap

General Motors disinvested. But it sells more to the new South African-owned company than ever before

SOUTH AFRICA's richest families are not contemplating deserting their fatherland at any cost, but they are increasingly preoccupied with enhancing and protecting their foreign fortunes.

On the whole, putting protective fences around foreign assets has been done quietly. But when it becomes too aggressive, as happened with Minorco's bid for Consolidated Gold Fields, the South African connection becomes a distinct liability.

Even the more-patient stalking of Sun Life, by Liberty Life's Mr Donald Gordon, was unacceptable to the UK life office's board, and has led the South African company to change its strategy. In the process, Mr Gordon has formed an alliance with his old friends the Rupert family, which controls the Rembrandt tobacco and liquor group, and which is also busy protecting its European interests from a possibly antipathetic future South African government.

Frequently the South Africans accompany their bids by saying they have something to offer the foreign company. That has been a constant line in Liberty's efforts to gain control of Sun Life – Mr Gordon and his board colleagues regularly mention Liberty's rapid growth since its founding 30 years ago, and implicitly contrast this with Sun Life's performance. But Johannesburg analysts privately find it difficult to see what Minorco could offer Cons Gold, and Liberty's detractors point out that asset growth is easier for a comparatively young insurer than for a mature one.

When Minorco's bid for Cons Gold finally failed, one Johannesburg broker put it privately: "There's plenty of cash floating around the world, and Minorco needed to show it could offer something more if it was ever to stand a chance of winning."

Perhaps that was a flaw in Minorco's offer. Unlike Consolidated Gold Fields, which has regularly and successfully developed new mines around the globe, the Anglo American group's record has been less impressive outside its South African backyard. Growth outside South Africa has been based almost entirely on acquisitions – new mine developments and real wealth creation have been few and far between – first by London-headquartered Charter Consolidated, and later by Minorco from its Bermuda and Luxembourg bases.

Anglo American's record has been less impressive outside its backyard

As an inducement to Cons Gold's shareholders to accept the bid, Minorco held out the carrot that acquisition might persuade stockmarkets to re-rate its shares, because it would then own managed mines rather than simply an investment holding company. The difference lies in the fact that Cons Gold's UK domicile allows it greater financial freedom than is available to Minorco, constrained by the fact that its parent is hemmed in by South Africa's stringent exchange controls. It is the dilemma which faces South Africans, such as Anglo's controlling Oppenheimer family with its direct investments in Minorco.

Minorco, built out of the Anglo group's nationalised Zambian copper mines, was supposedly an acceptable vehicle for taking Cons Gold. It was registered off-shore, and its investments were largely in countries other than South Africa. That is an example being followed by the Rupert/Gordon alliance.

Liberty Life's investments in Sun Life, Capital & Counties and TransAtlantic were built from a remarkably small base, using borrowed funds to finance growth. Last year, the South African insurer entered the second stage of its foreign strategy by relinquishing direct control of its overseas interests by placing them under the nominal ownership of FIT (First Investment Trust), itself controlled by Liberty but registered in London.

*At the time of FIT's cre*ation, Mr Gordon said there were no immediate plans to expand the company. However, together with Compagnie Financiere Richemont (CFR), the European holding company controlled by the Rembrandt group's Rupert family, FIT controls TransAtlantic.

Analysts in Johannesburg believe it is only a matter of time before FIT uses its own paper to acquire assets in Britain or Europe, gradually diluting its South African control and becoming more acceptable as a bidder for Sun Life.

They also believe a similar pattern is likely for CFR, which controls all the non-South African interests acquired over several decades by the Rembrandt group. The foreign assets have been separated from the South African, to give the Rupert family unassailable control through shareholdings, having 50 per cent of CFR's voting equity, though they are entitled to only 10 per cent of CFR's assets and profits.

FIT and CFR are playing their cards close to their chests, but it seems inevitable that a major effort will be directed towards securing control of Sun Life now that Liberty has shown that it can block any efforts by Sun Life's board to dilute the South African shareholding.

The question of family fortunes is generally glossed over when South African companies invest abroad. Local boards are usually happy to concede that foreign investment is needed because there are too few opportunities at home. No one in Johannesburg would seriously argue with that.

When large family fortunes are not in question, South Africans are less determinedly aggressive in their foreign ventures. Barlow Rand and its subsidiary Tiger Oats have held a controlling 86.5 per cent interest in J. Bibby for many years. But Barlow Rand seems happy with an apparently passive interest in Bibby, and willing to allow the British company to decide on its own development.

The question of family fortunes is glossed over when companies invest abroad

The same goes for mining house Gencor's recent restructuring of its comparatively small British interests. Abercom, in the Gencor group, sold its US engineering interests and bought 86 per cent of MY Holdings, the British packaging company. Abercom had the option of bringing its dollars back for investment in South Africa, but decided that maintaining a foreign bridgehead was more attractive than any opportunities back home.

Jim Jones

SANCTIONS

Bishop Desmond Tutu: changing views

Emotion hits the economy

"SANCTIONS are not an issue any more. There is nothing that any sanctioneer can do to hurt us now," says Mr Kent Durr, whose ministerial portfolio includes sanctions.

But for the South African economy, sanctions remain very much an issue; indeed, *financial sanctions* are arguably the single most important determinant of government economic policy overall.

The shortage of foreign capital, and the burden of foreign loan repayments, has left policymakers with no option but to stifle economic growth in the *country, at just the time* when growth is needed to contain unemployment and black grievances.

South Africa simply cannot be, at the same time, a major exporter of capital and a high-growth nation with a large appetite for imports. Faced with the choice, government has consistently opted to service loans at the expense of imports, imposing a series of radical austerity measures to ensure that growth does not exceed 3 per cent a year.

"The capital account [of the balance of payments] is bleeding at the rate of R5bn-R6bn a year," says Dr Ben Vosloo, a member of the Government's Economic Advisory Council. "We are having to use national savings to finance the capital account, which means that investment is not taking place. But investment is the way an economy grows."

Many economists, both within and outside government, would agree with Dr Vosloo's judgment that financial sanctions are seriously jeopardising the economic future of the country. But the economic effects of trade sanctions and disinvestment are *more difficult to judge.*

By 1987, a large number of countries had imposed restrictions on exports of high technology goods to South Africa, and on selected imports such as Krugerrands, iron, steel, coal, uranium, agricultural products and textiles. Yet South Africa has shown great resilience in the face of past sanctions – notably the 1963 UN arms embargo, which became mandatory in 1977 – developing as a result a sophisticated armaments industry, which is now a major export earner.

Not surprisingly, government officials decline to discuss their current sanctions avoidance programme and no longer publish statistics with which to judge it. But with 60 per cent of export earnings coming from high-value, low-volume products, sanctions are in any case difficult to impose. And major opportunities remain for developing Far Eastern markets at the expense of more traditional markets in the West. Indeed, Mr Steff Naude, Director General of Trade and Industry, *argues that sanctions* have actually helped create an export culture in South Africa – not destroy one.

The impact of disinvestment by foreign companies is also difficult to judge. Some 200 foreign companies have pulled out of South Africa, most of them since the international anti-apartheid campaign really began to gather steam in 1985; 135 were American companies reacting to pressure from pension fund trustees and major clients at home. Only last month Mobil, one of the few large US companies remaining *in South Africa*, decided to sell up as well, provoking a strike among black employees protesting that departure terms had not been negotiated with the unions.

Yet according to a recent report from the Washington-based Investor Responsibility Research Centre, which monitors US disinvestments, half the US companies that have disinvested since 1986 have *retained non-equity links with* their former subsidiaries. Licensing, distribution, technological, trademark or franchising agreements can seriously undermine the impact of disinvestment, the report notes. Indeed, there are certainly no fewer Fords on South African roads, just because Ford has pulled out.

There are signs that anti-apartheid campaigners may *target such ties in future. Last* month, Dade County, Florida (which includes the city of Miami), threatened to boycott Motorola's products unless it stopped supplying parts and technology to its former subsidiary in South Africa. Dade County is understood to be putting similar pressure on IBM as well.

The effect of disinvestment on the profitability of South African business is not in doubt, however. Many of the country's major corporations have purchased foreign-owned assets at fire-sale prices since the *exodus began* and vast fortunes have been made as a result. But Dr Vosloo points out that purchases of disinvested assets have been another major drain on national savings and investment, as funds have been used to purchase existing capital rather than spent on *new* investment projects.

Yet the aim of sanctions is ultimately not economic but *political, and judging* the political impact of such measures is a highly subjective affair. Government ministers speak with one voice in assuring outsiders that sanctions have hindered rather than hastened reform.

"Sanctions have always been counter-productive, always fed the forces of reaction in our country, always made the parties who should be getting together suspicious of one another," says Mr Durr.

Mr John Kane-Berman, director of the South African Institute of Race Relations, *also believes sanctions* have had a negative political impact – "not necessarily by making government more defiant, but by weakening the key tool for bringing about the disintegration of apartheid, which is action on the ground by blacks." Mr Kane-Berman believes sanctions risk slowing down the pace at which the balance of economic power is shifting in favour of blacks.

Mr Alec Erwin, an official of the metalworkers' union Numsa, spoke out in favour of sanctions in a recent publication of the business-financed Leadership group: "If mandatory sanctions serve to remove the government in a short period of time, they will in fact allow for the economic recon*struction which the National*ists cannot achieve."

But sanctions are a touchy issue for the unions, torn between their duty to protect members' jobs and more overtly political aims. The largest federation, Cosatu, has published resolutions stopping short of explicit endorsement of disinvestment, though they call on disinvesting companies to consult the union on terms.

Whether or not sanctions *have impeded reform in South* Africa, what is abundantly clear is that they have not brought about the quick political fix intended in the heady days of 1986, when it seemed to many outside the country, and some within it, that apartheid was in its last hours. Many groups, including the unions, are now reassessing their attitude to sanctions in the light of the new realities.

Even Archbishop Desmond Tutu, one of the most vocal black supporters of sanctions, appears to be altering his stance. After a visit to the US *last month, he stressed that he* was not wedded to sanctions, and said he would ask the international community to put its sanctions programme on hold if the Government granted the demands of anti-apartheid groups and was ready to negotiate with authen*tic black leaders.*

His primary aim now was not to ask for more sanctions, but to seek international help *in getting negotiations going to* end apartheid non-violently. "If we can bring about the end of apartheid without sanctions, I will be the first to say hallelujah," he said.

Patti Waldmeir

FARMING: in the wake of seven lean years . . .

Plenty after the drought

GOOD RAINS have put money back in the pockets of South Africa's debt-ridden farmers after seven lean years of drought.

Gross farming incomes rose R1.5bn to R15.2bn last year, thanks largely to record crops, a devalued rand and higher world prices for commodities such as grain, sugar and wool. Export sales are expected to rise to a record R4bn this year.

Higher farm production and exports will add about 1 per cent to gross domestic product for 1989 and help compensate for the expected industrial slowdown, while giving the balance of payments a boost at a time of severe strain.

The performance of the agricultural sector has a powerful impact on both political and social developments, although it only makes up between 5 and 7 per cent of GDP. Recent electoral gains by the right-wing Conservative party have been concentrated largely in rural areas where many farmers and local economies have been reduced to bankruptcy and heavy indebtedness by the drought.

Farming remains the biggest single employer of black labour, in spite of the recent large migration of farmworkers and their families off the land to the fast-growing shanty towns and overcrowded urban townships.

More than 1.2m black workers, together with their usually large families, still work on the country's 65,000 mainly white-owned commercial farms while others eke out a bare subsistence in the homelands, supplemented by remittances from members of the family working in the mines and factories. Many more are employed without any form of written contract and, unlike industrial workers, are not protected by labour relations acts, which provide legal status and recourse to the industrial courts for other workers. Farmworkers usually lose their tied accommodation and wages in kind when they lose their jobs and then have little alternative but to head for the nearest town or city.

However, the politically conservative farming "platteland", a bulwark of the old "baasskap" mentality where paternalism remains strong and apartheid is deeply engrained, is not immune to the powerful forces of change blowing through society.

Picking grapes for export, in the Hex River Valley

Trade unions are organising farm workers, especially on the big estates owned by the large corporations and in the associated packaging and processing plants of the increasingly industrial farming sectors such as fruit, sugar and timber.

Black workers are becoming more skilled and more essential to the effective operation of farms as they become more mechanised and sophisticated. Many farms are effectively run by black managers and workers, and in the homelands an emphasis is being placed on encouraging scientific farming on commercial sized farms.

During the last four years hundreds of the more enlightened white farmers have joined the Rurc foundation which combats age-old social problems such as the infamous "dop-system" which institutionalised alcoholism in the Cape vineyards.

The foundation seeks to forge a more equitable relationship between the farmer, his workers and their families. Its main emphasis is on improving the quality of life through better housing, the encouragement of educational, sporting and other social projects and the development of rural industries and employment possibilities for women on the farm.

Meanwhile a fierce debate rages over the future of the ubiquitous state controlled marketing boards which cover everything from maize and meat to lucerne and beans.

Pretoria is no longer beholden to the rural vote and the Government is moving away from the old system of subsidies and controls. A growing belief in the virtues of privatisation and de-regulation sees the emphasis shifting slowly towards free markets and efficiency. Farm debt stands at a record R14bn and many farmers face bankruptcy if they fail to adapt to changing market conditions.

A prime example of the distortions caused by decades of feather bedding, controlled marketing and subsidies can be seen in the grossly extended maize farming sector, especially in the drought-prone western Transvaal.

This year's heavy rains, after seven years of failed crops, brought in a bonanza 11.5m tonnes, of which about 7m tons will have to be exported at a world price less than half the average production cost.

Meanwhile, the Maize Board raised the domestic price of maize by 10 per cent on May 1 and lowered the producer price for farmers by 12 per cent, enraging farmers and consumers.

Supporters of the marketing boards, and their bloated bureaucracies, argue that their abolition would lead to wild gyrations in prices, while the proponents of freer markets argue that the longer term result of phasing out subsidies and freeing prices would be a more rational, market-orientated and efficient farming system. That seems to be the direction in which the farming wind is blowing.

Anthony Robinson

MANUFACTURING: **Jim Jones** on the quest for self-sufficiency

Business draws confidence from the strength of its balance-sheet

YEARS OF divestment and sanctions have left South Africa a country aiming for self-reliance at almost any cost. For many years, self-sufficiency in industrial goods was sought to overcome sanctions which restricted the country's ability to buy oil and strategic or military hardware.

The motivation remains, but was augmented three years ago when divestment began in earnest and when financial sanctions forced the country to run consistent trade surpluses to finance its foreign debt repayments.

The added sanctions have lifted the level of political risk deemed acceptable in achieving strategic self-reliance. This was underscored by the abortive Blowpipe missile deal, in which South African agents reportedly offered agents of the para-military Ulster Defence Association arms in exchange for sophisticated weaponry.

That same expediency could soon characterise business outside the armaments sector, particularly if anti-apartheid groups abroad succeed in limiting South Africa's access to high-tech products. In 1985 when Motorola divested, it sold its local interests with an agreement to continue supplying products and know-how for five years.

Breweries, the largest consumer-based group, are benefiting from black urbanisation and growing incomes

Now, under threat of being prohibited from selling equipment to Florida's Dade County, Motorola has agreed not to extend its South African supply agreement beyond its 1990 expiry date. Dade County is also putting similar pressures on IBM and anti-apartheid activists in the US are pressing for other companies to follow their divestments by cutting sales to South Africa.

Armaments have been the major export success story as sales of battle-tested equipment soared helping Armscor, the state-owned armaments company, to large production runs and economies of scale. Importantly, Armscor has been able to attract dozens of Israeli aircraft and avionics engineers since Israel dropped plans to develop its own fighter aircraft.

Private sector industrialists whose businesses are confined to the domestic market are less than completely enthusiastic about moves towards greater self-sufficiency. Earlier this year when the government's new local-content regulations became known, Volkswagen, BMW and Mercedes all warned the new requirements could be inflationary, lead to foreign technical improvements not being incorporated into South African cars and impose a strain on local component manufacturers who do not have the skills available to foreign counterparts.

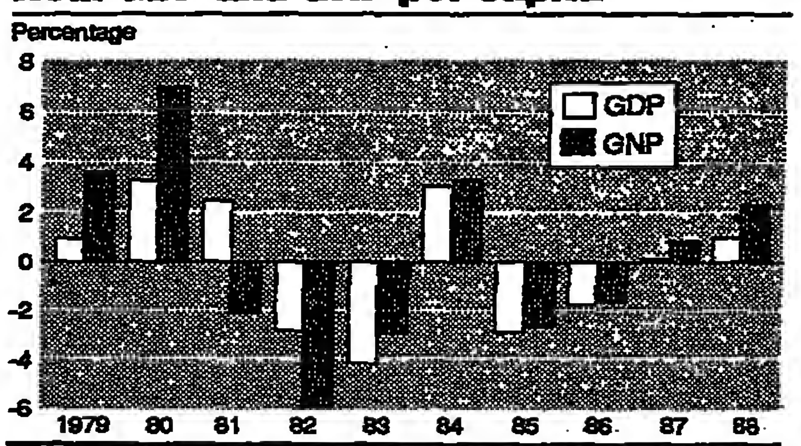
The motor industry is a particular target for the government's import replacement ambitions. At present car manufacturers can claim tariff rebates on imported components, provided the average local content of their models exceeds 66 per cent by weight. The rand's collapse and last year's consumer boom meant the motor industry sucked in imports of components, threatening the balance of trade surplus and lifting the imported portion of each car to over 60 per cent by value.

The Government's response has been to switch to a local-content requirement based on value rather than weight. By 1998 cars must have 75 per cent local content by value if manufacturers are to enjoy tariff-free component imports. Local manufacturers can offset some of the local content requirements if they export components, but car makers are concerned that, even with exports, local production runs will be too small to justify the estimated R600m cost of additional tooling cost needed to comply with the regulations.

The consumer boom of the past two years lifted plant capacity utilisation, boosted industrial companies' profits and allowed many to strengthen balance sheets by repaying debt. This balance sheet strength helps account for the confidence expressed by industrialists despite recent austerity measures designed to clip consumer spending. Many companies will not be unduly affected by the Reserve Bank's limits on credit creation as expansion projects can be financed from internal resources.

Countertrade helps offset the effects of sanctions on exports

Real GDP and GNP per capita



South African Breweries, the country's largest consumer-based group, plans to spend R1bn this financial year, equivalent to a quarter of the balance-sheet value of its total assets. The brewing group is benefiting from black urbanisation and growing black disposable incomes, and its capital spending is aimed at serving the black consumer market.

Others, more dependent on state spending, are not doing as well. Altech, the electronics concern often cited as a successful high-tech company, has been suffering from lower post office spending on telecommunications equipment. Altech was particularly active in acquiring the interests of divesting electronics companies — Motorola and NCR were the most recent — but remains studiously quiet on the threat of losing foreign technical inputs.

But as availability of some technologies is threatened others are becoming available. One Taiwanese television manufacturer is establishing a plant to make monochrome tubes in South Africa for export worldwide. South African labour looks cheap and the Taiwanese are attracted by government incentives.

On the other hand, some South African inventors prefer to take their skills abroad. One, who invented a technique for coating cheap mild steel with costly stainless, was recently lured to South Wales by venture capitalists in Britain.

Developing new export markets is difficult while trade sanctions remain in place, but countertrade opportunities are being developed alongside major contracts. About 200 international trading companies have been roped in to manage five years of countertrade in manufactured exports offset against imports needed for the Mossgas off-shore gas development. Parts of the Mossgas project have been put out to international tender, but the Government's strategy is to schedule major synfuels developments to give local engineering groups a tendering edge.

The timetable for new government-backed synfuels ventures will be designed so that local engineering skills are not over-stretched. This, however, is not the case with other import replacement ventures. A soda ash project in Botswana will supply all of South Africa's requirements while another plant in Natal will soon supply the country's hydrogen peroxide needs. Self-sufficiency in comparatively simple industrial products is within reach. High-tech availability remains an imponderable.

Better paid, but under pressure to produce more

GOLD

New mines will lift productivity

SOUTH AFRICA'S all-important gold-mining industry is caught in its worst crisis in over half a century.

Tumbling international gold prices have forced cuts in production and retrenchments at several of the country's older mines. By early-May, the threatened closure of two mines — Durban Deep and East Rand Proprietary Mines (ERPM) — had sent shivers down the industry's spine.

Paradoxically, retrenchments and threatened closures are coinciding with plans to open new mines — mines which will be highly mechanised and provide fewer jobs than the older, conventional operations. Some recent warnings in the local press that as many as 300,000 jobs were at risk owed more, perhaps, to hyperbole than reality. Nevertheless the calls on government by ERPM and Durban Deep for financial help in avoiding closure underscore white South Africa's fundamental economic dilemma.

Gold mining remains central to the economy. It provided almost 40 per cent of 1988's R51bn exports, and is crucial if debt repayment obligations are to be met through adequate trade surpluses. The Government's equally unpalatable options are to subsidise loss-making mines or to allow the rand to fall and protect the mines from rising rand costs. Both carry the threat of sharply higher inflation, which is becoming increasingly unacceptable politically.

The Government's dilemma appears irrelevant as far as the gold industry's 500,000 or so poorly-skilled black labourers are concerned. They are increasingly organised and increasingly unwilling to work for less than a living wage. Soaring gold prices at the start of this decade boosted mining profits and eased the transition from paternalistic employment practices to employment based on countervailing union power. In percentage terms, wage increases for blacks have outpaced those for whites for several years, though the absolute wage gap has continued to widen. Now, mine-owners warn regularly, wage increases which narrow the gap between blacks and whites cannot be afforded if they are not matched by productivity increases.

None the less, in April the all-black National Union of Mineworkers (NUM) set the stage for this year's wage bargaining round by saying it wanted increases which would virtually double the take-home pay of the lowest-paid miners. About one third of the gold industry's operating costs are due to labour and include wages, accommodation and food; the mine companies are going into this year's wage talks determined to prevent increases which exceed the rate of inflation.

By the end of this year's first quarter sliding gold prices and rising costs had pushed about a dozen mines into the red. In round figures the unprofitable mines produce almost 20 per cent of South Africa's gold but employ almost 30 per cent of the gold industry's black workforce.

Gencor, the second largest of the mining houses, has led the industry in rationalisation intended to prevent operating losses and which implicitly confirm the gold mines have been over-manned. Gencor's simple approach is not to mine unprofitable ore. That has involved production cut-backs accompanied by retrenchments at several marginal mines. Management says the situation will not be reversed when the gold price recovers making extraction of the lower-grade ore profitable again.

Future increases in lower-grade ore production will have to be achieved by productivity improvements, and not by increased employment, the group says. The immediate effect has been a small drop in total gold production in the first months of this year. According to the Chamber of Mines, gold production during the first four months was 6.44m ounces against 6.49 m in the same period in 1988 and 19.90m ounces for the whole of last year.

But even if the poorer mines further reduce their gold production, a sudden major drop in the country's total gold production is not inevitable. Several mines are involved in expansions into new ore zones and several new gold mines are being brought into production or are being planned for the next few years, particularly in the Orange Free State. Their establishment costs are likely to be far larger than those of any mine to date and they will be capital rather than labour-intensive. The implication is that if jobs are lost by mine closures, an equal number will not be created with new gold mine openings.

It seems paradoxical that gold mines, which are unaffected by sanctions, are in difficulties while collieries and other metal mines are emerging from the sanctions tunnel. Coal has been the worst-affected export commodity as US and European markets were closed and Japan decided to freeze the dollar value of its imports from South Africa. If the price rose Japan planned to reduce tonnage purchases.

Sanctions remain in place but coal exporters have been helped by other producing nations' unreliability. Strikes affected Australia and China and Colombia failed to meet contractual supply obligations. Far Eastern and European coal importers turned back to South Africa, lifting export prices to about $30 per tonne early in 1989 from $19 in 1987 and allowing exporters to plan to increase capacity at the Richards Bay harbour.

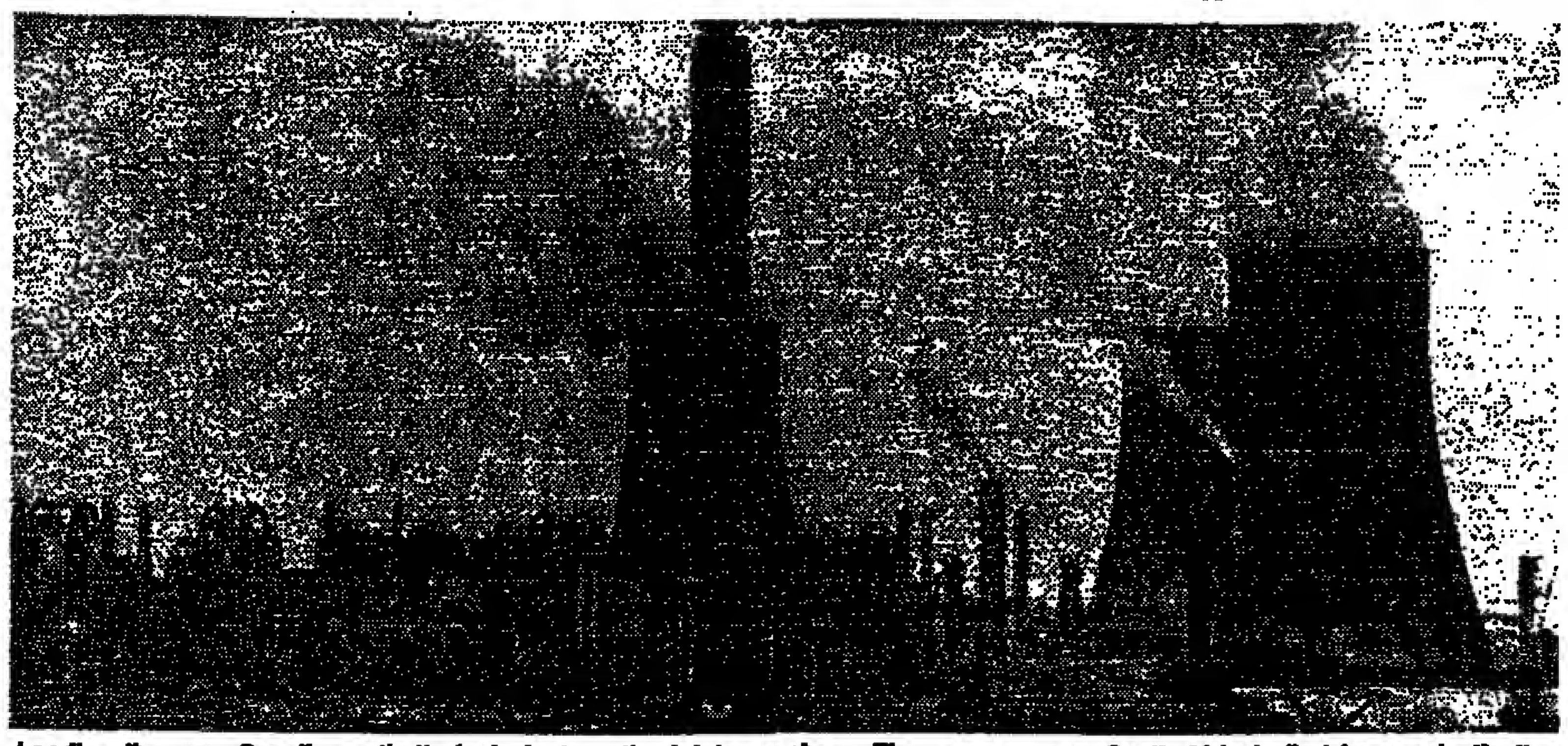
South Africa's minerals exporters have spent years building a reputation for reliability, and it is paying off with fast rising exports. In the past 10 years, for example, granite exports have risen five-fold to an annual 750,000 tonnes and the country has emerged as the world's largest exporter. Reliability, particularly South African exporters' willingness to replace blocks containing hidden flaws, has underpinned the export growth.

Development of South Africa's minerals exports has generally advanced in lurches. In the early 1970s chrome exports were confined to the lumpy ore of the Transvaal. By the end of the decade and early-1980s a series of ferro-chrome plants, built jointly with foreign investors in the Transvaal, had emerged as the dominant supplier to the world's stainless steel makers.

The next lurch forward is near. Samancor and Highveld Steel are getting together with Taiwanese steelmakers to make crude stainless billets in South Africa to be exported for finishing at Taiwanese rolling mills. The Taiwanese are exporting their pollution to South Africa and South Africa adds value to her exports.

Next in line, analysts believe, could be vanadium and specialty steels following a steady increase in local production of vanadium raw materials. But economists warn there are limits to value-added projects. It is most unlikely, for example, that South Africa will become a major diamond cutting centre even though De Beers is opening new mines and that diamonds are the third or fourth largest mineral exports. Nor is it likely that platinum will be fabricated beyond the refined metal stage before being exported. Retaining control of world diamond and platinum markets centres on strategies of managing distribution channels, not competing with customers.

Jim Jones



Leading the way: Sasol's synthetic fuel plant south of Johannesburg. The company was South Africa's first large privatisation

Anthony Robinson on Pretoria's drive to privatise

Freeing up Afrikaner socialism

SOUTH AFRICA's first large privatisation, the sale of the Sasol synthetic oil-coal corporation in 1979, pre-dated Mrs Margaret Thatcher's privatisation drive by two years. But further progress has remained more in the realm of talk than action.

This year should see the ball rolling again as Iscor, (iron and steel), Foskor (phosphates) and Eskom (electricity generation and supply) move onto the starting line for privatisation ahead of the more difficult, and politically fraught corporations such as the South African Transport Service (airlines, harbours, railways, pipelines and road transport, SATS) and the telecommunications sector.

Privatisation goes hand in hand with de-regulation and a new emphasis on encouraging small, especially black business as a key element in the Government's long-term strategy of raising the economy's overall efficiency, increasing the tax base, reducing the role of Government and releasing funds for infrastructure investment.

Proceeds from sales are also expected to be used to reduce the public debt and refinance badly mismanaged and heavily under-funded state pension schemes. At stake is the future of of publicly owned assets valued at an estimated 67bn rand.

The evidence thrown up during the pre-privatisation process has revealed that many of these assets have been very poorly managed in recent years when the state corporations took an ever greater share of investment and other resources but produced low, and frequently negative returns.

Poorly co-ordinated foreign borrowing added greatly to the country's foreign debt, led to large foreign exchange losses, especially for SATS, and distorted the entire growth pattern of the economy.

According to Mr Dawie de Villiers,the minister in charge of privatisation, the Government's share in total fixed investment rose "out of all proportion" between 1970 and 1984 when 64 per cent of all net fixed investment was in the public sector.

These were the years when the productivity of capital

The leading state enterprises have been given a shake-up

halved. It was the time when Eskom went abroad to borrow money to buy the latest technology for a series of power stations without noticing a slowdown in demand which has left it with massive overcapacity; when the post office invested heavily in inappropriate equipment; and while SATS, which for decades has been run largely as a system of outdoor relief for otherwise unemployable Afrikaners, invested nearly R11bn over a decade of which two thirds was poured into loss making railways.

Ironically it was largely the imposition of international sanctions and disinvestment which focused attention on the dramatic fall in the productivity of capital in the 1970s and early 1980s. Capital is South Africa's scarecest respource, a scarcity which has been artificially exacerbated by the R25bn capital outflow over the last four years and the drying up of foreign lending since the August 1985 partial debt moratorium.

The growing interest in privatisation and de-regulation is a main consequence of this discovery and the determination to put resources into more entrepreneurial hands. In the run-up to privatisation all the leading state enterprises have been given a thorough shake-up by more aggressive management. This is particularly so in the case of Iscor and Eskom which have both been radically slimmed down and turned into profitable, market-oriented operations.

Last year Iscor reported sharply higher post-tax profits of R249m compared with R97m in 1987 on turnover of R4.8bn. It is now rated ripe for privatisation after establishing a five year profit track record and notched up impressive productivity gains.

Iscor, a big corporation by South African standards, is small beer compared to Eskom whose assets last year were valued at R28bn. Under the chairmanship of Mr John Maree, former head of Armscor, the state-controlled arms corporation, and Mr Ian McRae, the chief executive, Eskom has been turned round from a closed, bureaucratic, product-minded and racist organisation into a tightly managed, customer-oriented operation with a heavy emphasis on promotion by merit and tight financial controls.

Consequently, electricity price rises have been kept well below the rate of inflation while the total labour force has fallen from 66,000 in 1985 to under 57,000 last year in spite of a 13 per cent rise in electricty generated over this period. At the same time, R2.7bn has been cut from capital expenditure so that Eskom, which took up 47 per cent of the prescribed asset pool of domestic savings in 1983, took up only five per cent of funds available in the local capital market last year.

Re-organisation of the unwieldly SATS empire of airways, harbours, pipelines, railways and road transport is going hand in hand with plans to de-regulate the entire transport system and put an end to the gross distortions caused by years of cross-subsidisation by the various SATS components.

All five leading divisions have now been made into separate profit centres. Loss making rail passenger services have been savagely pruned in response to the explosive growth of the black-owned taxi industry. This has revolutionised mass transport for millions of blacks who now enjoy unprecedented physical mobility thanks to a combination of door to door taxi services and abolition of influx control and the pass laws.

The Government's conversion to privatisation effectively signals the end of the ruling party's former attachment to a form of national socialism whose priority aim was to use the power of the state to uplift Afrikaners.

Henceforth the economy is to be opened up to all-comers although, as suspicious black union leaders are quick to point out, the main gainers in the first instance will be the white-owned private corporations, insurance groups, banks and private investors

In the longer run the release of resources and their transfer to more productive hands holds out the promise of a broader, expanding tax base, faster growth and greater economic opportunity for all. Eventually the big gainers should be the black majority which, until very recently, was deprived of property rights

TOURISM

Blue skies, Braaivleis, big game and lots of space

SOUTH AFRICA is one of those places which can still be visited and enjoyed on an individual basis because mass tourism and "infrastructure development" has not yet destroyed the country's breath-taking natural beauty or the emptiness and solitude of its vast distances, its game parks, beaches and open-air barbeque (braaivleis) lifestyle.

The bad news is that this relative underdevelopment, which is partly due to distance and partly due to the country's political pariah image, probably won't remain for much longer.

With an eye on forecasts of future steady growth in world tourism South Africa's tourist board and other authorities are waking up to the hard currency earning and employment potential of the industry.

At a recent conference Mr Mike Kovensky, president of the Federated Hotel Liquor and Catering Association, said the industry had the potential to create 500,000 new jobs over the next decade and generate R12bn annually in hard currency income by the turn of the century. By then it could even have overtaken the gold mining industry in importance and be contributing more than 20 per cent to the gross domestic product, he added.

A comparison with Australia, which is probably the closest in climate and natural resources to South Africa, indicates that these ambitious targets are not unrealistic, provided heavy investment takes place in new hotels, in upgrading the overloaded and obsolescent airports and other infrastructure.

Over the past three years Australia's foreign tourism grew by 25 per cent a year, partly on the back of the popularity of the film Crocodile Dundee and first rate advertising and marketing. The 2.2m foreign tourists who travelled to Australia last year spent the equivalent of R11bn to make tourism Australia's second biggest foreign currency earner after wool.

In contrast, South Africa, despite a recent surge, played host to only 800,000 foreign tourists of whom less than half were true "overseas visitors" – mainly from Europe or the United States. The majority were tourists from other African countries, many of whom cross over from neighbouring states such as Lesotho, Botswana, Swaziland or Zimbabwe for short shopping tours or to visit relatives. In many cases potential foreign tourists have been unable to fly to the country at peak periods around Christmas and the New Year have failed to materialise because US, Australian and some European airlines have broken off direct air links for political reasons and because, until very recently, the government refused to allow charter flights to compete with South African Airways (SAA).

Now the ban on charter flights has been lifted, several foreign airlines have increased their flights and SAA itself is

A comparison with Australia, which is probably the closest in climate and natural resources to South Africa, indicates that Pretoria's ambitious targets are not unrealistic, provided heavy investment takes place in hotels and airports

due to take delivery of four new Boeing 747-400s and another seven European Airbuses over the next two years to give a much needed boost to both its international and domestic capacity.

Thanks to a 9 per cent rise in visitors last year the industry earned an estimated R1.8bn in foreign currency and at least another R2bn from domestic tourism. The local trade has benefitted from rising incomes over the past two years and rand depreciation. The weak rand which has helped to make South Africa value for money for foreign visitors has made foreign holidays too expensive for many South Africans.

Increasingly, however, the development of domestic tourism is seen as linked to the growing incomes and expectations of black South Africans, particularly the wealthy Indian community. Until recently tourism was virtually a whites only phenomenon with blacks barred from hotel and other facilities by apartheid laws. Although in practice "petty apartheid" has been abolished in many areas, the Separate Amenities Act and other apartheid laws, such as the Group Areas acts, are still on the statute book.

In many country districts signs still separate black from white drinkers and "whites only" signs are still to be found on a diminishing number of beaches in the Cape and Natal as old ways die hard. The trend, however, is unmistakably towards acceptance of multi-racial facilities.

Significantly, the larger hotels in Johannesburg and other cities have been saved from bankruptcy by their new black clients, many of whom come to town to spend a week-end and enjoy a break from their homes in the townships and the homelands. On Saturdays South Africa's main cities, especially Johannesburg, are full of black shoppers who not only patronise the stores but also stay to eat in the city's restaurants, bars and hotels and go to the now de-segregated cinemas and theatres.

The way in which the week-end break has cut across former racial lines is best seen in the hotel and gambling complexes built in all the homelands over the past decade by Mr Sol Kerzner, the South African hotel magnate. Mr Kerzner remains a folk hero to many South Africans of all colours despite his recent admission that he paid a hefty bribe to Mr George Matanzima, the deposed Prime Minister of the Transkei.

His popularity is based on the way he seized the opportunity presented by apartheid and the homeland system to build luxury hotels just inside the new homeland borders. He placed them in attractive surroundings within easy reach of the major cities and population centres in "white South Africa".

It is here in places such as Sun City, two hours drive from Johannesburg and Pretoria, the Wild Coast Casino, two hours from Durban on the wild Transkei coast, or the Marula Sun, 30 minutes from the suburbs of Pretoria, that South Africans of all races first learnt to swim in the same pools, play blackjack and roulette at the same tables and guiltily watch soft-porn movies in the same darkened cinemas.

All such activities, of course, were doubly enjoyable because they are banned in the Republic itself where local laws in the old Boer republics do not even allow cinemas to be open on Sunday in deference to the Dutch Reformed Church.

Meanwhile, at the upper end of the market big efforts are now being made to attract the discerning and well-heeled foreign visitor to well-run and often luxurious private game reserves like Mala Mala, with its own international airport and connecting flights to the Okavango swamps in Botswana and other natural wonders.

Higher fares on the famous Blue Train between Cape Town and Pretoria have made it the virtual preserve of foreign tourists and special steam train tours have become another attraction. Mr James Sherwood, re-creator of the Orient Express, recently took over the venerable Mount Nelson Hotel in Cape Town with the intention of upgrading it to the highest international standards while down in the harbour plans are afoot to convert the old fishing port into a major yachting marina, small boat harbour and village.

With attractive investment opportunities made even more enticing by the 40 per cent discount on the financial rand the project is one of several boating and residential developments around the coast which are expected to attract major foreign interest in coming years.

Anthony Robinson

BLACK BUSINESSES

Hustling for economic empowerment

OUTSIDE the central railway station in Johannesburg is a little corner of Africa.

It may not sound like a market in Lagos or Kinshasa, and it certainly does not smell like one; but hawkers selling fruit, cosmetics and herbal remedies on the pavement are a classic African sight. Until recently, though, they were a sight only rarely seen in South African cities. Restrictive legislation kept the pavement mostly free of hawkers and other black businessmen were barred from central business districts by apartheid design.

Now everyone from government ministers to the hawkers themselves are pinning tremendous hopes on the vitality of this informal sector of the South African economy. Informal business activity is viewed as an instrument of "black empowerment," the catch phrase used by free marketeers to suggest the achievement of social and ultimately political change through economic means.

Towards that end, central business districts have been opened to people of all races, hawking is allowed (though harassment is common), restrictions on township businesses have been lifted and freehold ownership of business property has been legalised. And, crucially, black transport has been partially deregulated to allow the growth of a huge and active black taxi industry.

Judging the size of the informal sector is acknowledged to be impossible. But the temptation to have a guess is strong and government as well as a number of leading economists have provided their own best estimates. The government's Central Statistical Service said recently that informal activity represented 3 per cent of South Africa's gross domestic product, while some economists have put the figure as high as 40 per cent.

Dr Ben Vosloo, managing director of the Small Business Development Corporation (SBDC), believes that the true figure might be 10 per cent. But he stresses that GDP figures are not the only measure of the sector's contribution: he believes the informal sector might employ 20 per cent of the economically active population, and that tax revenues may be understated by a staggering 40 per cent because of the informal businessman's noted ability to avoid tax.

Soweto mayor E.T. Tshabalala runs the most dynamic township

"The informal sector has saved us," says Mr Gerhard Croese, the government's director general of finance. South Africa's 3 per cent growth rate is sufficient to increase employment by one per cent a year. With the economically active population growing at 2 per cent annually, 200,000 people should be added to the jobless totals each year. "But that is not happening," says Mr Croese, "and the informal sector is the reason."

But the evidence of one's eyes is that the level of informal sector activity remains low even by African standards. The central trading area of Soweto, a city of 2m people, boasts about as many sidewalk mechanics and foodsellers as a small town in northern Nigeria.

Activity will no doubt increase as blacks become accustomed to the new freer environment: membership of the South African Black Taxi Association (Sabta) has certainly grown at an impressive rate, from 8,000 to 45,000 in just five years. But years of inadequate education and experience have left blacks without many of the skills they need to operate successfully in a business environment. Mr T J Ngcoya, president of Sabta, says most taxi operators "know very little about such business skills as man management, costing, book-keeping, or even the elements of transport operation."

Despite these barriers, the number of people employed by the sector is already significant — the taxi industry is believed to employ twice as many people as industrial giants Iscor and Escom combined – and its purchasing power is large and growing. The government estimates that black taxi operators spend R800m a year on petrol and that their fleet investment is R3bn, making them the largest private sector purchaser of petrol and vehicles.

However the informal sector cannot, on its own, solve South Africa's economic problems any more than it has solved the problems of Nigeria or Zaire.

"One must not expect from the informal sector a contribution which it cannot provide," says Dr Vosloo. "What it can provide is a way for poor people to enter the business world. It is a very important breeding ground for entrepreneurship."

Though skills are lacking, the entrepreneurial spirit is certainly not in short supply. Indeed, in the black taxi industry, overcrowding and reckless driving on the part of operators might suggest an excess of spirit in that direction. And at the SBDC's Pennyville industrial park near Soweto, black entrepreneurs are queuing up for the subsidised factory units provided by the corporation.

And in the townships, the so-called "spaza" shops – backyard retail outlets peddling everything from toilet tissues to minerals – are steadily increasing their influence. According to recent figures from the South African Institute of Race Relations, the combined purchasing power of the shops is equal to that of the country's third largest supermarket chain.

But the institute notes that profit from these shops "is spread among so many individuals, its contribution to capital formation is extremely limited." The gap between black spending and asset ownership remains vast: the institute estimates that blacks purchase 54 per cent of the groceries produced in South Africa, but only 4 per cent of formal retailers are black. The informal sector can do something to redress this balance, but it has a long way to go.

Patti Waldmeir

Anthony Robinson looks at economic development in the homelands

Building blocks of apartheid

SOUTH Africa's 10 black tribal homelands, of which four – Bophuthatswana, Ciskei, Transkei and Venda – are nominally "independent," were conceived as children of "grand apartheid" and remain as essential building blocks in Pretoria's vision of the future.

Internationally they remain illegitimate – recognised by no-one but Pretoria. An observer travelling through the patchwork mini-states, however, finds evidence that huge sums have been expended on industrial and other development in an effort to make them viable and create islands of relative well-being which often clash with the stereotyped images of hopeless poverty.

Nor is it sufficient to dismiss all homeland leaders as simply stooges of Pretoria. Several are men of considerable stature like Kwazulu's Chief Mangosuthu Buthelezi, the Transkei's General Bantu Holomisa or Mr Enos Mabuza of Kangwane.

Most see the homelands as deeply flawed institutions whose limited autonomy, however, does provide an opportunity for an emergent black middle and professional class to learn vital political and administrative skills needed if blacks are to play an increasingly important political role in a future South Africa re-organised on a geographic rather than tribally federal basis.

Meanwhile, on all the statistical evidence the homelands certainly remain the poorest parts of South Africa – whether it be per capita spending on education and health, infant mortality or straight income per head. The most populous, and prosperous parts, are to be found in the so-called "closer" settlements, shanty towns built just across the homeland borders by black commuters who live in the homelands but work on white-owned farms or in factories in the "republic".

The worst poverty and hopelessness is to be found in the more remote rural villages where over-population and over-grazing has exhausted the soil, where men have left to work in the mines and factories and where mainly women, children and the old remain.

It is from areas like these that millions have fled to the shanty towns which now surround the major white cities, undermining the original function of the homelands – to keep the black millions out of sight and out of mind. It might have been different if Pretoria had been willing to provide more land and many more resources, but only marginally.

Setting up the homelands has slowed and distorted, but not stopped the human exodus from the rural areas in the hope of a better life close to the cities, a feature of third world development across the globe.

Meanwhile, the tax holidays, investment incentives, wage, transport, power and other subsidies offered to investors have attracted businessmen to set up factories to produce cheaply either for the South African market or for export.

As a result, the Transkei, for example, holds the unlikely distinction of hosting the world's largest chop-stick factory – an amalgam of Taiwanese money, cheap labour and abundant soft-wood from the adjacent timber lands.

The Taiwanese have taken to the homelands in a big way, setting up clothing and toy factories, electronic component and television plants and all the other export-oriented products which fuelled the domestic growth of the Asian tigers.

The homelands have proved useful bases from which businessmen from the Far East, Israel and Europe have been able to make use of white South Africa's first world infrastructure and profit from its third world labour surplus and market potential.

Not all have contributed much in the process. Some have abused the system outrageously to milk the subsidies and pad their payrolls with non-existent workers and other scams.

Recent months have also seen a series of judicial enquires into homeland corruption which have unveiled illegal pay-offs to homeland officials, up to prime ministerial level in the case of the Transkei where high level corruption led to a military coup.

Now Pretoria, through the Southern Africa Development Bank and the development corporations themselves, are being more careful in their vetting and financial procedures. They are hoping to attract more capital and entrepreneurial skills from Hong Kong and other places where political uncertainty clouds the future. Each of the homelands has set up a development corporation to cut red-tape to a minimum.

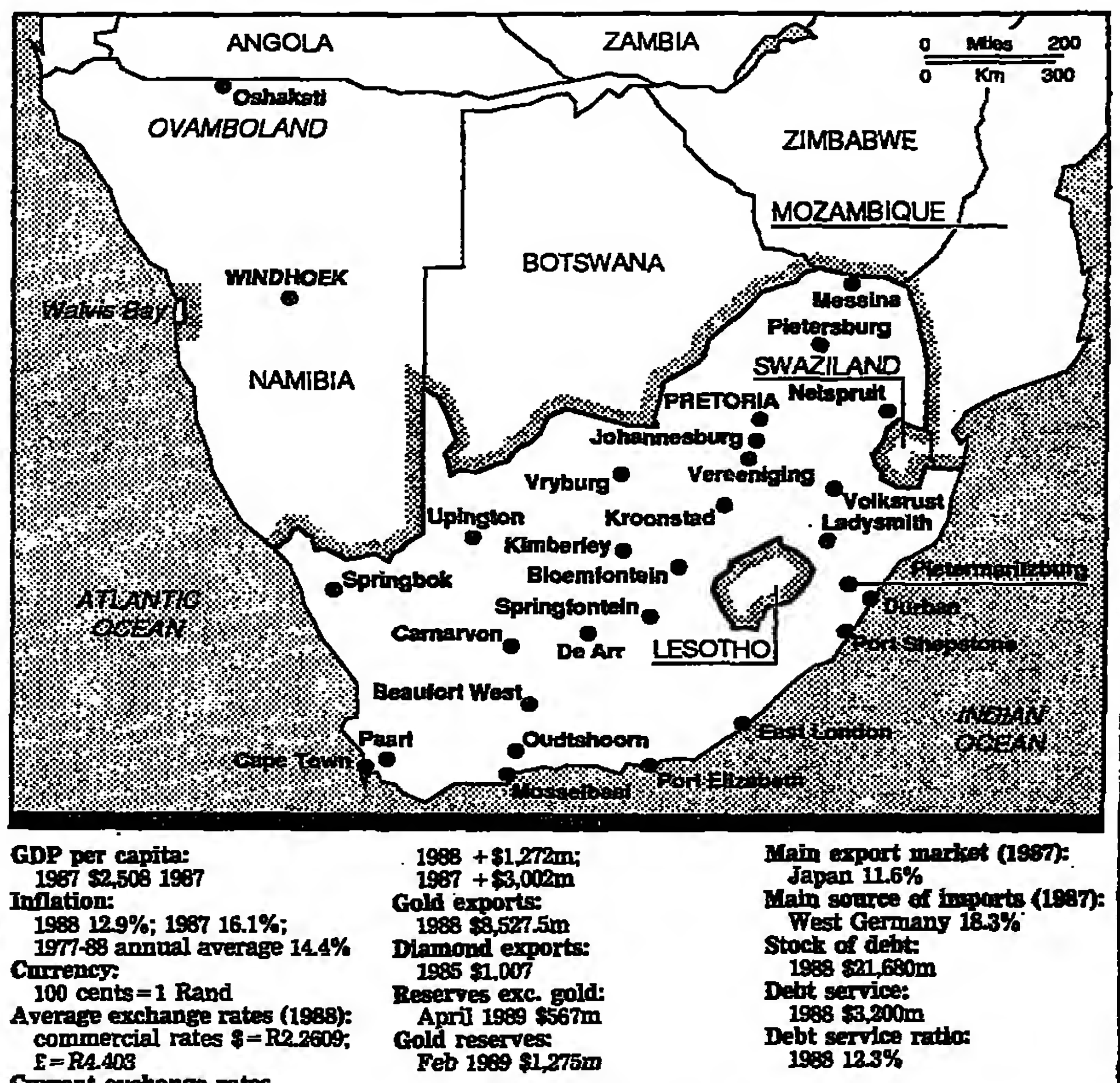
Potential investors are likely to be surprised, even impressed, by brand-new "capital cities" like Bisho in the Ciskei, or Mmabatho the capital of mineral-rich Bophuthatswana, wealthiest of all the homelands thanks to its platinum and other mines.

Even tiny Qwa-Qwa, has its own legislative assembly, sports stadium, shopping centres and administrative offices where white officials seconded by Pretoria discretely underpin the fledgling black bureaucracies.

Every homeland has its luxury hotel and casino complex which not only caters for homeland residents but attracts gamblers and weekenders from South Africa with the lure of gambling, soft porn moves and one-armed bandits.

The homeland casino archipelago concept was the brainchild of Mr Sol Kerzner, a folk hero to many South Africans, now temporarily embarrassed by his R2m pay-off to Transkei's deposed Prime Minister George Matanzima. Thanks to his ingenuity much of the money paid out in subsidies and incentives finds its way back into homeland coffers through the gambling tables.

Sun City, Bophuthatswana: casino archipelago

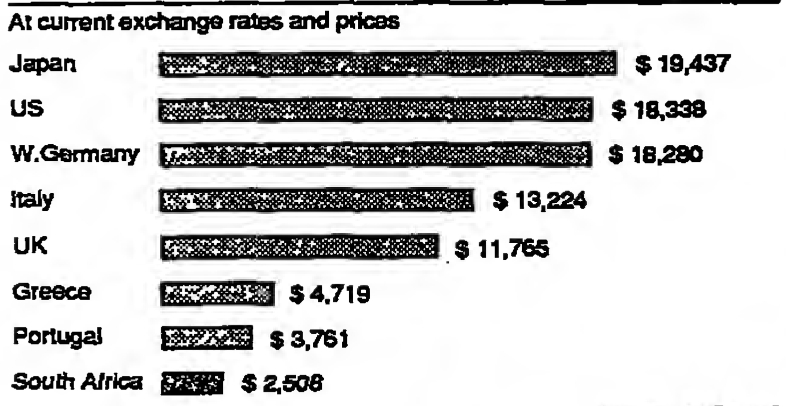


KEY FACTS

Area: 1,221,000 sq km
Population: 33.02m
President: P.W. Botha
Birth rate: 1986 34 per 1000; 1965 40 per 1000
Labour force as % of population: 1985 55% 1985; 1965 54% 1965
Urban population as % of total population: 1985 56% 1985; 1965 47% 1965
Average of upper middle income countries: 1985 65%; 1965 49%
Life expectancy at birth: 1986 61 years
Average of upper middle income countries: 67 years
Real GDP growth: 1988 3.2%; 1987 2.6%; 1977-88 annual average 2.1%
GDP per capita: 1987 $2,508 1987
Inflation: 1988 12.9%; 1987 16.1%; 1977-88 annual average 14.4%
Currency: 100 cents=1 Rand
Average exchange rates (1988): commercial rates $=R2.2609; £=R4.403
Current exchange rates (June 1989): commercial rates $=R2.7379; £=R4.3300; financial rates $=4.1840; £=R6.617
Merchandise exports: 1988 $22,432m; 1987 $21,068m;
Merchandise imports: 1988 $17,210m; 1987 $13,925m
Current account balance: 1988 +$1,272m; 1987 +$3,002m
Gold exports: 1988 $8,527.5m
Diamond exports: 1985 $1,007
Reserves exc. gold: April 1989 $567m
Gold reserves: Feb 1989 $1,275m
Main export market (1987): Japan 11.5%
Main source of imports (1987): West Germany 18.3%
Stock of debt: 1988 $21,680m
Debt service: 1988 $3,200m
Debt service ratio: 1988 12.3%

GDP per capita, 1987

At current exchange rates and prices



Sources: OECD & IMF

Slow revolution

Continued from Page 1

of their Angolan base camps. The military aspect of the ANC's combined politico-military strategy for the transfer of power to a black majority now looks weaker and more contradictory than ever.

Meanwhile, Pretoria's shift from the military option back to diplomacy has led to improved relations with Black Africa and renewed efforts, on several levels, to sell the idea of regional economic as well as political co-operation. The new thinking in Pretoria sees acceptance by Black Africa as the way back to wider international respectability.

Two major investment projects, the $2bn Highlands Water scheme in Lesotho and the R950m Sua Pan soda ash project in Botswana, are classic examples of mutually advantageous co-operative projects involving South Africa and its neighbours. In Mozambique, the Electricity Corporation, Eskom, is trying to get power flowing again from the Cahora Bassa dam, a victim of de-stabilisation by formerly South African backed Renamo rebels, and quietly lobbying for the construction of a regional electricity grid. South African industry, with its products tailored for African conditions and the advantage of proximity, is well placed to help the re-construction of war ravaged Angola.

Whether South Africa ever achieves its potential as the dynamo for regional development however depends largely upon the transition to a non-racial democracy at home. This is a task which also challenges the creativity of the black community and the vision of foreign politicians and bankers. Experience over the past five years has shown that sanctions and disinvestment have not led to collapse of the "apartheid regime" or forced faster reform.

The combined cost of sanctions, war and internal revolt have indeed imposed a heavy economic burden. But the record indicates that it is precisely the economy which has been the most potent engine behind the socio-political changes which have most eroded apartheid.

This at least is the argument which Mr de Klerk will take with him when he talks to British, US and other leaders shortly. At issue is the question whether Pretoria would respond more kindly to the carrot of renewed investment for faster growth than the stick of sanctions and ostracism.

Workers: still kicking against the traces

LABOUR UNIONS

Fight for a living wage

THE LEGALISATION of black trade unions 10 years ago remains probably the most significant breach in the former monopoly of white power in South Africa.

But the failure to follow this up with the political reforms needed to bring blacks fully into the body politic has inevitably increased pressure on the unions to act as political lightning conductors.

The resulting confusion of roles, also suffered by the churches for similar reasons, has greatly complicated the task of creating a modern, rational labour relations system. The state has reacted in predictable ways to the unions' politicisation. Many union leaders were among the 30,000 people detained during the state of emergency.

Two years ago, powerful expertly-placed bombs destroyed the headquarters of Cosatu, the largest union federation. In February last year, the unions were barred form political activity at the same time as the United Democratic Front (UDF) and 17 other community organisations were effectively banned. Finally, major amendments to the Labour Relations Act have been introduced, which restrict the right to strike by banning sympathy and repeat strikes and making unions financially liable for illegal strike action.

The new legislation was passed despite a strenuous union protest campaign, culminating in a three-day stay-away from work and doubts about the wisdom of the new laws in more progressive management and labour relations circles.

The tougher line taken against the unions by government, and by many managements, was essentially a reaction to the wave of labour unrest which swept the country two years ago, when thousands of mineworkers were forced back to work after a bruising three-week strike, and 40,000 black railway workers fought a bloody strike for recognition, higher pay and racial equality.

Both strikes, which were seen as trials of strength at the time, were accompanied by a considerable degree of violence, intimidation and even murder. Several miners were killed for refusing to strike. The railway strike also had a tragic end when police fired on strikers, killing several, and five alleged "scabs" were murdered by union members who were subsequently tried and sentenced to death.

The labour scene has since been much quieter; partly because major unions, like the National Union of Mineworkers (NUM), have been licking their wounds; partly because the upturn in the economy has led to higher employment, overtime pay and wage increases above inflation for many categories of organised labour.

Last year, strikes were fewer, shorter and involved less workers. According to the Department of Manpower annual report, strikes involving more than 1,000 workers were down by 80 per cent last year, while their average duration fell from 9.9 to 5.6 days. More than 31 per cent of strikes lasted a day or less, while the number of man-days lost through strikes slumped from 5.82m in 1987 to 914,000.

The labour scene is quieter partly because miners have been licking their wounds

Despite the setbacks union membership grew by 10 per cent again last year, mainly among the black unions. By the end of the year the workforce was 35 per cent unionised, with 2.08m in registered and 330,000 in unregistered (mainly smaller) unions.

With the economy facing a downturn, in the light of higher interest rates, hire purchase restrictions and rapid inflation, the labour market is expected to come under renewed pressure this year, as unemployment and short-time working rises. Employers are also expected to take a tougher line on wage increases, especially in the key gold-mining sector where the declining gold price and rising costs has put the industry in a tight squeeze and already led to large-scale lay-offs at marginal mines.

The NUM, led by Mr Cyril Ramaphosa, is concentrating on getting higher pay for the lowest paid workers as part of the union movement's long-term "living wage" campaign, but will be hard pressed to get anything like the 93 per cent rise for the lowest paid which is on the table. The eventual settlement is unlikely to exceed the inflation rate of 15 per cent, and union officials concede that a repeat of the 1987 strike, or anything like it, is not on the cards.

Cosatu's living-wage campaign has great emotional appeal to lowly-paid rank-and-file black workers with poor education. An estimated 45 per cent of the black workforce is functionally illiterate. But it runs up against a major structural problem – the low labour productivity of an economy in which unit labour costs have risen 312 per cent since 1975, as wages and salaries have outstripped meagre productivity gains.

According to official figures, wages in manufacturing have risen by 352 per cent since 1975, while labour productivity has only risen by a paltry 18.5 per cent. South Africa's output per head is estimated at only 20 per cent of US levels, and actually declined by 1.7 per cent between 1981 and 1986.

It is figures like these that lie behind the Government's new-found enthusiasm for a more vocational and technical education system, and exhortations to industry to spend more on their own skill upgrading and training programmes. Without this, a major skill shortage looms on the horizon.

Another problem facing the union movement, and society generally, is the fact that unionisation has tended to emphasise the dual nature of the economy and the contrast between organised workers, in the formal sector, and the growing army of non-unionised and unprotected workers in the informal sector.

Mr Joel Fourie, the recently appointed Director General of Manpower, is on record as favouring the extension of the Labour Relations Act to the estimated 1.2m farmworkers and over 1m domestic workers who are among the worst paid, and frequently most exploited, sections of the labour force.

Organising this dispersed and vulnerable group of workers will present the union movement with a major challenge in the years ahead.

Anthony Robinson

FINANCIAL TIMES
COMPANIES & MARKETS
Monday June 12 1989

INSIDE

A bond breakthrough from the World Bank

The World Bank has just unveiled plans for a $1.5bn (£968m) issue of global bonds which, for the first time, will be negotiable in the European, US and Japanese capital markets. The issue will serve as a prototype for a series of similar borrowings and raises the possibility that the world's dollar bond markets might become truly integrated. Page 23

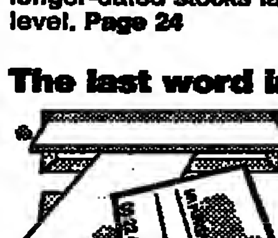
Cash injection for BNZ

The New Zealand Government is immediately pumping NZ$200m (£74m) into the state-controlled Bank of New Zealand to reassure international markets in the wake of a disastrous annual loss. The cash injection, apparently at the urging of the Reserve Bank, New Zealand's central bank, is in effect bridging finance until the BNZ receives the proceeds of a NZ$400m issue of new shares. Page 25

Gilts recover some poise

The gilt-edged securities market almost regained its composure last week but the message is that it will take time before yields for longer-dated stocks fall below the 10 per cent level. Page 24

The last word in junk mail



Nice mail if you can get it: a Philadelphia bank has got its car loan service off to such a fine art that it anticipates when a good customer might need a new car and then sends him an unsolicited cheque. Behind the idea lies clever use of information technology, which is still a no-go area for most British managers. Alan Cane examines why, in the Business Column. Page 34

Doubts over Gold Fields pledge

Consolidated Gold Fields, the diversified UK mining group, has had mixed reactions from major institutional shareholders it has sounded out about its so-called "performance pledge" scheme. The pledge was made during its successful defence against the £3.5bn bid by Minorco, the South African-controlled investment company. Page 22

Market Statistics

Companies in this section

Wilkinson Sword's chance to find lasting happiness

Christopher Parkes looks at the prospects of the razor business that is once more about to change ownership

AFTER more than 15 years locked in comfortless relationships with match makers, steel founders, kettle manufacturers and wood pulpers, the Wilkinson Sword razor business may at last have an opportunity to settle down with a more compatible bedfellow.

Stora of Sweden, the latest of four owners since the company's merger with British Match in 1973, is preparing to sell it off. Electing to concentrate on its main business in pulp, paper, lumber and building products, it started the search last week for buyers for its interests in matches, disposable lighters and shaving equipment.

While all three product lines face considerable marketing difficulties, ranging from the effects of the global decline in smoking to ferocious competition, there is expected to be no shortage of bidders. Stockholm bourse-watchers suggest the sale of the subsidiaries could raise as much as SKr4bn ($600m), compared with the SKr5.9bn Stora paid just over a year ago for the Swedish Match group, of which they were part.

The razor and blades business is expected to rouse international interest. Potential front-runners could include France's Bic group, Warner Lambert, manufacturer of Schick razors, and Colgate-Palmolive of the US.

Past experience suggests that a company in the shaving equipment business needs a dedicated management with deep pockets, practised in and hardened to warfare in international consumer markets, and well-connected with the multiple retailers which account for between 70 and 80 per cent of sales.

Failed promises to bring such attributes to Wilkinson Sword have marred the company's progress since it succumbed in 1973 to the seduction of British Match (BMC). The Monopolies Commission report on the merger quoted Wilkinson pleading that it was too small to tackle international markets. "The main attractions . . . of a merger . . . were that a larger and more widespread company would be justified in accepting risks which Wilkinson alone would find unacceptable; and that the existence of BMC 'substance' in countries in which Wilkinson is not or is not strongly represented could provide . . . an indispensable *basis under modern conditions* for an attack upon an unfamiliar market," the report said.

Six years later, the merged company, by now renamed Wilkinson Match, fell under the control of Allegheny, a Pittsburgh steel company promising to lavish investment on its acquisition, which had been hand-picked to spearhead the group's switch into rich consumer markets.

But Allegheny was soon to run into trouble. An assets fire sale started in 1986, as the debt collectors started to call in force, and the directors were accused in a shareholder lawsuit of "self-dealings, waste of corporate assets and grossly improper business decisions."

When Wilkinson passed into the hands of Swedish Match in March 1987, the Monopolies Commission once more took a look and this time detected that razors appeared not to make an especially logical or natural fit with the match makers' core businesses. Also, as the shaving, garden tools and swords businesses were all making losses, perhaps Swedish Match might sell them?

No, the new owner aimed to return the razor and tools businesses to profit, and keep making swords in the interests of preserving the Wilkinson company tradition. Now it has fallen to Stora (controlled, like Swedish Match, by the Wallenberg Group) to make the disposals.

As the business prepares for its next change of ownership, it is still attempting to achieve the ambition it nurtured from its days in bed with British Match: to build a strong and profitable international presence.

It is of more than historical, incidental interest that, while Wilkinson Sword was responsible for two of the most significant technical developments in the safety razor business, it fell to Gillette of the US to exploit them to the full. Wilkinson introduced the PTFE-coated, low-friction blade in 1961, and the then private company made a gallant effort to capture share in the US and other leading markets. Although Gillette took two years to launch its counter, it took the US company only 12 months to steal the world market lead.

Wilkinson's "bonded" twin-blade shaving system, launched in 1970, suffered a similar fate. While the under-resourced developer of the idea was pecking away at regional US markets, Gillette struck back with a national launch of a competing product.

About the same time, Wilkinson failed to take seriously the potential danger from the disposable razor introduced by Bic, which has swept the world and in the US now accounts for 40 per cent of the market by value.

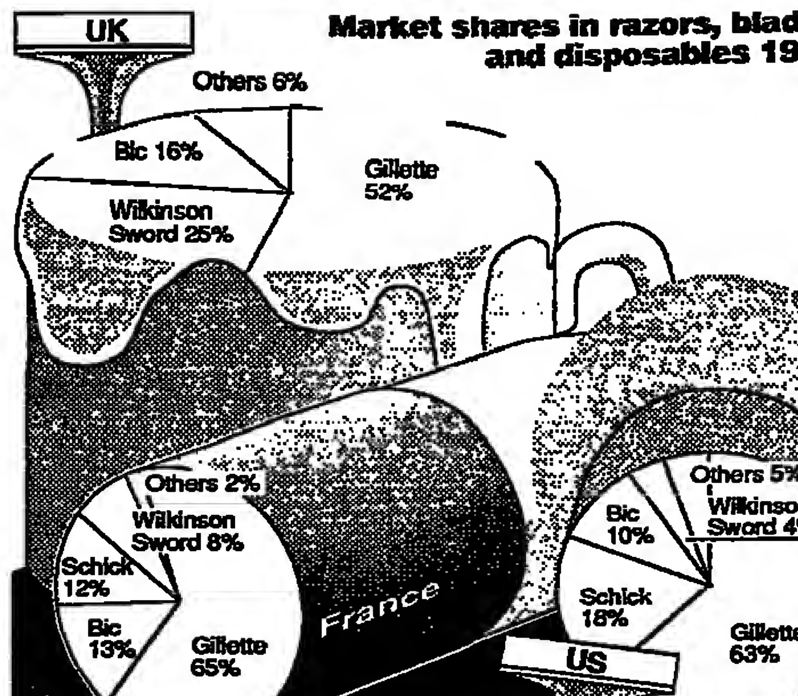
The net result has been a sort of arms-length stalemate, with Wilkinson standing a distant third in many markets behind Gillette and Bic.

In the meantime, Gillette has had problems of its own. However, the stresses of fending off aggressive bids hardly showed in last year's 17 per cent profits increase and the world leader has been pressing on with tightening its grip on world markets.

World sales of disposables are starting to level off, and Gillette is spending heavily in the US and Europe to promote the more expensive "system" razors and their replacement blade cartridges which offer margins three times higher than those on disposables.

This is not the ideal environment for any newcomer, but it is a characteristic of consumer markets that big spending by the leader tends to expand the whole business to the benefit of the smaller players.

There are other attractions. Apart from the odd hiccup caused by such fads as the fading fashion for designer stubble, the basic market is unusually stable, since it is a characteristic of the human race that the mature males among its numbers will continue for the foreseeable future to start each day by scraping away the gathering whiskers.



Compromises that hinder US policy making

By Anthony Harris in Washington

IT HAS BEEN a most unusual weekend in Washington: no new scandals have surfaced. The rumours and reports still circulate, of course; even a foreign journalist hears them without so much as asking. It seems, though, that the politicians and even the media are, at last, gorged with what the FT's true creator, Sir Gordon Newton, once called insinuendo. If this is something more than a temporary truce, some real policy-making might become possible.

Policy, you might think, has little to do with the finances or sexual tastes of a tiny minority of Congressmen; but in fact the suspicion which has lain over this city like a cloud of poison gas for many months has had a paralysing effect.

Key posts remain unfilled: nominees first go through an almost endless vetting, and then, on occasion, spend days in the Senate being cross-questioned – not about their qualifications, but about what they knew or did not know about various past scandals, or about what President Bush did or did not know.

Policy also suffers. The President's plan for the thrift industry, for example, is still locked in committees by the suspicion that the proposed off-Budget financing is a Trojan horse opening the defences against future fiscal evasions. This is in no sense a political proposal, but a mainly well-conceived attempt to lance a festering sore; but bipartisanship does not work if the two sides distrust each other too deeply.

Washingtonians argue about who started it all: the Democrats, who harried the Reagan administration with special prosecutors? The Republicans with their vendetta against Speaker Wright or their smear campaign against Governor Dukakis? It does not really matter much. The important truth is that the Republicans seem to have become addicted to negative politics.

This year's rumours have been part of a declared campaign, led by the party chairman, Mr Lee Atwater, and the House Whip, Mr Newt Gingrich, to undermine the Democrats in the House with reports of corruption. A scurrilous leaflet about the new Speaker, Mr Thomas Foley, has produced temporary nausea, but that is unlikely to be enough; experience still shows that negative campaigns win elections. The questions are whether the President has now learned that they can also render the victory barren and whether he is prepared to put a stop to it.

The answer to the first of these questions is probably "Yes"; Mr Bush's indignation about the attack on the Speaker provided a rare emotional highlight in a very flat presidential press conference. The second remains to be answered.

Mr Bush's native caution, his fear of closing any option, was clearly displayed in his reactions to events in China. It sometimes seems to lead him into the muddle expressed by the legendary English vicar, who urged his flock to "tread the narrow path between good and evil".

Mr Bush has established his reputation in Europe, but he still faces his domestic test: in the words of Mr David Gergen, the most objective of conservative commentators, he may have to choose between his party and his presidency. Yet even if he makes the presidential choice, and establishes an enduring peace with the conciliatory new Speaker, his love of compromise will remain worrying. It is his misfortune to have come to office at a time which requires clear choices.

Apart from the obvious foreign policy challenge posed by the huge changes in the Communist world, the most difficult choices will have to be made in defence policy. These would be unavoidable even in a continued Cold War; it will need cuts of some $300bn (£193.5bn) in announced programmes over the next five years simply to achieve the near-standstill real spending profile already adopted in the Bush budget.

A more radical approach could achieve real cuts, and these could be the key to the whole Bush domestic plan to balance the Budget without tax increases. This, however, might involve an overhaul of the whole American defence procurement system, based until now on choosing unproved weapons on paper, and then spending whatever it takes to make them work.

The signs so far have not been promising. The idea of re-thinking the whole system is so far only heard in think-tanks such as the Brookings Institution.

There are, of course, plenty of pressing issues quite unrelated to East-West relations. Many of them concern finding resources. It will take money to get the Brady plan back on any useful track, to achieve the environmental objectives the President will be preaching this week, to tackle drugs and crime. At whose expense will it be found?

Others are questions of principle – decisions over liberal trade, over financial regulation (where even leading market participants now have a sense of vertigo) and, most important, perhaps (though least discussed), the question of further tax reform. The US remains a country of tax incentives rather than of market incentives. Even where his inclinations are on the right side, as on trade, the President's leadership remains to be proved.

Finally, a footnote on the economy. The only significant news of the week has concerned inflation, where there is both bad and good news. The bad news is that the producer price figures on Friday look worse than many comments have suggested. The fact that they "only" reflect reduced car buyers' incentives, or bad weather on the West coast, is irrelevant. The car prices simply reveal hitherto suppressed inflation, and the adjustment is not over yet; the weather remains abnormal and food costs are still rising.

The good news is that there is still precious little sign of any price-wage spiral; and that, as in Britain, the inflation of house prices seems to be over, probably for some time. These advance indicators of cost and demand pressure should reassure the Fed about the bad price numbers – something of a lagging indicator.

Economics Notebook

Delors under the microscope

THE BRITISH Government's economic policies may appear to have few friends these days. But it has been gaining influential support for its opposition to the Delors Committee report outlining steps towards economic and monetary union in the European Community.

In the two months since the report was agreed some of Britain's leading economists have put it under the microscope. They do not like what they see.

Their objections have added depth to a debate that appeared to be going nowhere after Mr Nigel Lawson, the Chancellor, rejected the report on the day of its publication.

Mr Lawson's protestations that Delors paved the way for political union and a United States of Europe gave the unfair impression of knee-jerk Thatcherism.

They never seemed likely to rally support from those – usually silent – friends of Britain in mainland Europe who have long felt queasy about the speed of the bandwagon moving towards economic and monetary union.

Indeed, Mr Delors' federalist concept of a three-stage advance towards economic and monetary union at some unspecified point in the future has captured the imagination of many in the run-up to the Madrid summit meeting of EC leaders later this month.

However, Professor Alan Budd, economic adviser to Barclays Bank, argues that the Delors report is flawed for mixing Mr Delors' ideal of a united Europe with the committee's brief to explore the concrete steps leading towards economic and monetary union. He says the report's weakness is highlighted by assertions and non sequiturs – about the need for central control over fiscal policy, for example.

The federal bias of the report has also been strongly criticised by Professor Charles Goodhart, co-director of the Financial Markets Group at the London School of Economics. He says Delors reads as if its authors were convinced that "a federal strategy to transfer increasing powers to a federal centre of the United States of Europe" is the only current feasible strategy for union.

Professors Budd and Goodhart are both very concerned about the Delors Committee's assertion that the road to economic and monetary union requires a transfer of control over important elements of national fiscal policy to a central Community authority.

At one point, the report says "binding rules" will have to be set to impose upper limits on national budget deficits in EC countries, curb central bank financing of deficits and limit external borrowing by member states in non-Community currencies."

Prof Goodhart argues that monetary unification and even a common currency do not require the transfer of more executive powers to the European Commission in Brussels. The Gold Standard and Silver Unions of the 19th and early 20th centuries provided fixed parities "with a minimum of federal oversight, fiscal transfers, international official co-ordination or conscious steps to achieve convergence," he says.

In Prof Goodhart's view, such a minimalist approach today would prevent the creation of a new layer of bureaucracy in the EC. It would avoid problems posed by differing levels of political, social and economic cohesion in the various parts of the community. It would enable the EC to evolve flexibly – allowing outside countries such as Austria or even Hungary to join a single currency area without having to integrate with the EC. Such an approach would also duck the tricky issue of organising acceptable democratic control of an otherwise increasingly federal Europe.

On a different tack, Mr Walter Eltis, director general of the National Economic Development Office, believes that the European System of Central Banks – the union's proposed monetary authority – could be riven by disagreement.

The Bundesbank representatives on the ESCB could find themselves outvoted by other EC countries over the strictness of counter-inflation policies to be applied in the union. Mr Eltis asks "how fully aware are the Germans of the inflationary risks they will be taking if they proceed towards a monetary union that is based on the present membership of the exchange rate mechanism of the European Monetary System."

It is indeed unclear how far national leaders, politicians and the general public in the EC states understand the detailed implications of the Delors report.

Some of the central bankers on the committee – including Mr Robin Leigh-Pemberton, the Bank of England governor – signed the report believing it was primarily a descriptive document. On this view, the federalist aspects of the report could be regarded as highlighting the political "costs" of union and perhaps encouraging EC leaders quietly to drop the idea.

Since its publication, however, the report's status has undergone a metamorphosis. It is now perceived as a powerful prescriptive work. Outside Britain, many people no longer ask whether the EC should be heading for economic and political union – only when.

Peter Norman

THIS WEEK

TWO PERSISTENT bugbears of financial markets dominate economic statistics this week – the US trade deficit and the UK inflation rate.

Figures for April's US merchandise trade, due for release on Thursday, will be scanned for signs of a further easing in global imbalances. The consensus of analysts' forecasts, compiled by MMS International, the financial research company, is for a deficit of $8.5bn on a customs imports basis, compared with $8.9bn in March.

Other US statistics include May figures for industrial production and capacity utilisation, also on Thursday, which will provide clues about the strength of economic growth. The consensus is for a 0.1 per cent fall in industrial production and a capacity utilisation rate of 83.7 per cent.

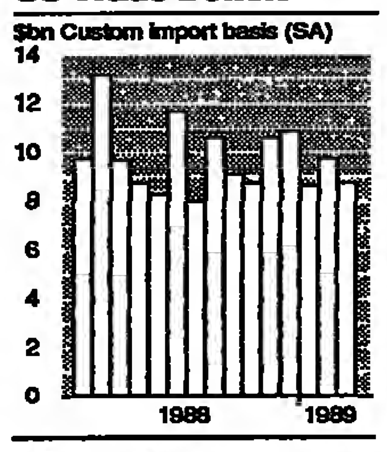
US inflation features on Friday with the publication of the May consumer prices index. A rise of 0.5 per cent is expected.

The West German Bundesbank council meets on Thursday. Comments last week by Mr Karl Otto Pöhl, president, about the strength of economy, suggested there will be no change in interest rates, although the dollar's rise means it cannot be ruled out.

The UK retail price index for May is released on Friday. The consensus is for a rise of 0.6 per cent, taking the annual rate to 8.2 per cent, compared with 8.0 in April.

Mr Nigel Lawson, the Chancellor, gives evidence today to the House of Commons' Treasury select committee on the Delors report on economic and monetary union. He gives the annual lecture to the Institute of Directors on Thursday.

Other UK economic statistics include today's provisional retail sales figures for May, which will show the effects of high interest rates on consumer spending. A rise of 0.7 per cent is forecast, compared with an unexpectedly sharp fall of 1.4 per cent in April.



An advance indicator of retail price inflation comes today in the producer prices indices for May. Factory-gate, or output, prices are expected to have risen by 0.5 per cent and seasonally-adjusted input prices by 0.8 per cent.

Also likely to be watched carefully by inflation-fearing financial markets are Thursday's average earnings figures for April. The underlying annual growth rate is expected to have accelerated from 9.25 per cent to 9.5 per cent.

Other events and statistics (with MMS International consensus in brackets) include:

Today: Bank for International Settlements annual meeting in Basle. UK, Department of Trade and Industry spring investment intentions survey.

Tomorrow: Bank of England, international banking statistics, first quarter.

Wednesday: US business inventories and sales for April (0.4 per cent rise). Japan, May merchandise trade.

Thursday: UK balance of payments, first quarter. Unemployment in May (fall of 35,000). Japan, revised industrial output for April.

Friday: US housing starts in May (1.4m). UK, April industrial production (fall of 0.6 per cent), April manufacturing output (up 0.25 per cent). Public Sector Borrowing Requirement (flat). Japan, wholesale prices for May.

UK COMPANY NEWS

Gold Fields pref scheme in doubt

By Kenneth Gooding, Mining Correspondent

CONSOLIDATED GOLD Fields, the diversified UK mining group, has had mixed reactions from major institutional shareholders it has sounded out about its so-called "performance pledge" scheme. The pledge was made during its successful defence against the £3.5bn bid by Minorco, the South African-controlled investment company.

It is not even clear yet whether the Gold Fields' board will recommend acceptance when the proposal is put to shareholders.

Minorco, which still has 29 per cent of Gold Fields, said that, although it had not thought highly of the scheme when first mooted, it would not decide which way to vote until there had been time to study the proposals in detail.

Gold Fields promised to submit the scheme to shareholders for approval "as soon as practicable", but a meeting is unlikely before mid-July.

If the scheme is approved, Gold Fields will issue special preference shares which will guarantee that cumulative earnings per share will total 400p (before sales of operations) over the next three years, implying an average annual compound growth of over 20 per cent.

If that target is not met – and most observers believe it will be – the directors would "take whatever steps were necessary" to pay a special cash dividend of £6 gross per share. This would cost £1.3bn.

At the same time, all future executive incentive arrangements for Gold Fields' central management would be tied to the achievement of the earnings per share target.

The attitude of some major shareholders against the scheme has been echoed by Mr Christopher Spreckley, analyst with CL-Alexanders Laing & Cruickshank, the securities house, who said: "If the scheme is to be invoked, something most unpleasant will have occurred.

"In those circumstances the management will not be well served by the prospect of having to look over their shoulders at the threats implied by the scheme.

"They must be given as even a playing field as possible on which to resolve the company's difficulties. Therefore we can see no reason for shareholders to accept the scheme."

However, Mr Spreckley insisted that rejection would not constitute a vote of "no confidence" in the Gold Fields' board. "There should be no embarrassment for the board if the scheme is voted out. It was a scheme for the moment and the moment has gone."

Habit board accepts bid and adds 7.2% stake

By Andrew Hill

HABIT PRECISION Engineering, the diamond tooling company, has accepted the increased £11m offer from Epicure Holdings, an Anglo-Swedish engineering and construction services group.

Epicure sweetened its hostile offer for Habit a week ago by adding a cash element of 15p. It has now also agreed to offer a loan note alternative to that element.

The Habit board, which is adding its 7.2 per cent stake in the group to the 33.5 per cent already committed to Epicure, had been looking for a "white knight" to out-bid the predator. But Epicure's purchase of 15 per cent of Habit in the aftermath of the increased offer, would have made a counterbid difficult.

Mr David Willetts, Habit's chairman, will resign if the bid goes unconditional, while three Habit directors will be invited to join the Epicure board.

Mr Willetts, formerly a partner at accountant Neville Russell, was appointed earlier this year to try to return Habit to profit. After losses of £956,000 in 1987/88 – blamed mainly on problems at a subsidiary making hard disks – Habit forecast pre-tax profits of £1.25m in the year to September 30 1989.

Habit is to declare an interim dividend of 2.2p, payable to accepting shareholders.

Based on Friday's price of 31p for each Epicure share, the recommended offer values Habit shares at 77p apiece – or 79p with the cash alternative of 64p – against last week's closing price of 76p.

KKR and A&P link in possible 'white knight' bid for Gateway

By Andrew Hill

KOHLBERG KRAVIS Roberts, the US leveraged buy-out specialist, and Great Atlantic & Pacific Tea Company (A&P), the US food retailer, are discussing a possible "white knight" counterbid for Gateway, Britain's third largest food retailer.

A week ago, press reports indicated that KKR had backed down from supporting Mr Alec Monk, Gateway's chairman, in his battle against a hostile £1.87bn leveraged bid from newly-formed Isosceles group.

But the buy-out specialist has now linked up with A&P, the oldest and fourth largest food retailer in the US, and both groups are taking part in informal discussions about possible escape routes for the UK supermarket chain.

Gateway's management already has connections with the US retailer: only last October, A&P's president, Mr Louis Sherwood, resigned to become chief executive of Gateway's main Foodmarkets subsidiary.

Mr Monk neither confirmed nor denied that KKR had returned to the negotiating table with the US group. He made it clear that no firm proposals had been put forward.

"We are talking to a number of people on an exploratory basis. Until we have got something concrete, we can't say anything," he said yesterday.

A&P is 52 per cent-owned by Tengelmann, the private West German retailing chain which has been mentioned as a possible white knight since the Gateway bid battle began.

But it is understood that the initiative to mount a possible counterbid has come from A&P, rather than its German parent. The quoted US company would probably provide the management expertise in any takeover, with KKR financing the deal.

KKR's recent record in contested bids for retailers is slightly stronger than that of A&P, which favours friendly approaches.

In the last three years the US retailer has mounted three unsuccessful bids for the same company – Delchamps, a small Alabama-based grocery chain. Three years ago KKR managed to outbid US retailer Dart Group for Safeway, the US and UK supermarket chain, via a $4.2bn leveraged buy-out.

Offer of shares raises £15m to form Jersey Phoenix trust

By Nikki Tait

A total of £15m has been raised, by way of an offer for sale of 15m shares at £1 each, to form a new Channel Islands-based investment trust. The trust, called Jersey Phoenix, will be managed by Berkeley Govett.

Applicants will also receive one warrant for every five shares allotted. These entitle the holder to purchase one ordinary share for each warrant held at a price of 100p between 1993 and 1996.

The trust's birth follows the demise last year of Jersey General Investment Trust, which was also based offshore with its shares held principally by private Channel Islands residents. JGIT was taken over by LIT Holdings, a City-based financial services group.

Berkeley Govett said that it approached a number of the former directors of JGIT in the wake of that move, with the result that the board of Jersey Phoenix is similar to that of JGIT.

Mr Peter Scott Graham, JGIT's former managing director, will take day-to-day management responsibility for the Phoenix portfolio.

The offer for sale was not actively marketed in the UK, and has been taken up largely by Channel Islands residents.

Dealings in the shares will start on June 19.

Corton rights to fund Lyon bid

By John Thornhill

CORTON BEACH, the acquisitive USM-quoted mini-conglomerate, has made an agreed offer for Lyon & Lyon which values the motor dealer at £13.6m. The offer will be partly financed by a £10.9m rights issue.

On the announcement, Lyon's share price jumped 68p to 413p, compared with Corton's 425p cash offer. There is a loan note alternative.

Lyon's directors unanimously recommended the offer and gave irrevocable undertakings to accept for shares representing 20.3 per cent of the total.

Based in Batley, West Yorkshire, Lyon owns a Ford main dealership, a contract hire operation and a parts distribution business. It also owns several industrial properties and has a shareholding in Tees Towing, a private Middlesbrough-based harbour towage company, estimated to be worth over £1m.

In 1988, Lyon reported pre-tax profits of £927,000, although this figure included a £253,000 dividend from Tees Towing. The profits were achieved on turnover of £20.59m. At the year-end, Lyon had net assets of £6.29m.

In order to finance the deal, the Merseyside-based Corton will raise £10.9m through a two-for-seven rights issue of 10.92m convertible preference shares at £1 apiece. These shares will attract a fixed annual dividend of 7.5p and will be convertible between 1992 and 2010 at a conversion price equivalent to 80p per ordinary share.

On full conversion, the shares will represent about 26 per cent of the enlarged share capital of Corton. The balance will be £2.7m in cash.

Lyon has been the subject of takeover speculation for over a year and last month rejected a previous offer from Corton on the grounds of price. Corton said the current offer was final and would not be revised unless there was a rival bid.

Coats Viyella buys German zip maker

By Alice Rawsthorn

COATS VIYELLA, the textile group which is in the throes of a bid for Tootal, is acquiring Opti, the West German company which is one of the world's largest zip-fastener manufacturers, for DM 52m (£16.7m).

The purchase forms part of Coats' strategy to build its presence in the international market for sewing accessories.

Coats and Tootal are already the leading players in sewing thread. The announcement of Coats' bid for Tootal has fuelled speculation that the combination of their thread interests could trigger anti-trust investigations in Europe and the US.

Last week Coats sent submissions to the Office of Fair Trading, the European Commission and the US Justice Department arguing that the merger would not contravene monopoly regulations.

Opti, based at Essen, is involved in the production of zips and zip-making equipment in the UK and Scandanavia as well as in West Germany. Although its main markets are in Western Europe, where it has about 20 per cent of zip sales, its products are sold by licence all over the world. The company was profitable on sales of £65m last year.

It was originally owned jointly by IMI, the building products and engineering group, and the Heilmann family in West Germany. Coats has bought out both shareholders by paying DM 30m for the company's assets and repaying shareholders loans worth DM 22m.

Coats already has a small presence in the international zip market, which is dominated by YKK of Japan. It makes zips in Brazil and holds the licences for Opti zips in Brazil and Italy.

Strong second half boosts Elga to £0.58m

A strong trading performance in the second half enabled Elga Group to push its pre-tax profit ahead to £582,000 in the year ended March 31 1989.

For the opening six months this maker of water purification equipment had recorded a profit of £146,000. That compared with £201,000, which was turned into a loss of £641,000 by the end of 1987-88.

Mr Peter Ryan, who became chairman at the beginning of 1989, said the profit was achieved on turnover of £11.7m (£10.81m), which highlighted the improvements in operating efficiency and cost control achieved from the reorganisation.

That entailed extensive attention to the UK and French subsidiaries and closure of the Singapore office. All operations in the UK and overseas traded profitably in the year.

Earnings in the year came to 3.37p (losses 5.45p) and the final dividend is 1.1p for a total of 1.5p (1p).

Hestair extends nursing in US with £6m purchase

By John Ridding

HESTAIR, the personnel services and consumer products group, is extending its US nursing operations through the purchase of Nurses Inc for an initial cash payment of $9.5m (£6m).

Nurses, a temporary nursing agency based in Miami, has branches in 11 cities in the east and mid-west. In 1988, it reported pre-tax profits of $2.2m on sales of $25.2m. Net assets were $5.3m.

Current trading is said to be buoyant with management accounts indicating pre-tax profits of about $1m in the seasonally strong first four months on sales of $9m.

More than 90 per cent of Nurses revenues come directly from hospitals and nursing homes and it is not involved in the welfare-supported Medicare or Medicaid sector.

Mr David Hargreaves, chairman, said Hestair's US nursing services business had shown the welfare sector to be less attractive than private staffing because of growing control over margins and bureaucratic delays in receiving receipts.

The acquisition reflects Hestair's strategy of expanding into relatively recession-proof business areas. Mr Hargreaves said that in the US nursing market the limiting factor is the supply rather than demand for staff.

The expansion into nursing is expected to be restricted to the US. The company said that whereas it hired staff out at $25 (£15.90) per hour in the US, in the UK the fee was £10. Similarly, gross margins are 35 and 18 per cent respectively.

Under the deal, the initial payment will secure 75 per cent of Nurses' shares. There will be a further earn-out payment in May 1990 and Hestair and Nurses will have "put" and "call" options over the remaining 24 per cent of the shares, divided between May 1990 and May 1992.

Heavitree ahead

Devon-based Heavitree Brewery raised pre-tax profits by 24 per cent from £427,000 to £528,000 for the six months to April 30, on turnover only three per cent higher at £2.5m.

Earnings per 25p share came to 19.5p (15.7p) and the interim dividend was 3p (2.4p). An extraordinary profit of £17,000 (£27,000) arose from the sale of an unlicensed property.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims– Blyvooruitzicht Gold Mining, [illegible]

Finals– [illegible]

FUTURE DATES

Interims–

Carroll (PJ) ... June 15
First Leisure ... June 15
[illegible]

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

CMB Packaging SA & ¾ 1989 Div. Reg. (Section: Industrials).
Capita Group (Industrials).
Dwyer 7.25pc Cnv. Pref. (Property).
Edencorp Leisure (Third Market).
Edinburgh Hibernian (Third Market).
Ex-Lands (Leisure).
Fleming High Income Inv. Warrants (Investment Trusts).
Kunick 7p (Net) Conv. Cum. Red. Pref. (Leisure).
MB Group (Industrials).
Nova Corporation of Alberta (Canadians).
Olim Convertible Ord. & Zero Coupon Pref. (Investment Trusts).

FINANCIAL TIMES STOCK INDICES

	Jun 9	Jun 8	Jun 7	Jun 6	Jun 5	Jun 2	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs.	84.80	84.96	84.59	84.43	84.43	84.61	89.29	84.43	127.4	49.18
Fixed Interest	95.42	95.36	95.98	96.14	96.25	96.23	99.59	95.36	105.4	50.53
Ordinary	1775.7	1773.0	1758.2	1753.0	1737.0	1745.5	1837.5	1447.8	1926.2	49.4
Gold Mines	189.5	190.2	190.1	180.7	175.5	171.4	196.1	154.7	734.7	43.5
FT-Act All Share	1101.84	1102.24	1091.69	1086.63	1078.15	1084.39	1131.41	921.22	1238.57	61.92
FT-SE 100	2142.1	2143.4	2117.9	2107.4	2088.5	2102.6	2204.7	1782.8	2443.4	986.9

INTERNATIONAL CAPITAL MARKETS

CREDITS

Warner tests its lender's mettle

WARNER Communications, in filing its $1bn lawsuit against its banker, Citibank, is testing the legal waters surrounding its relationship with its lender. Warner had taken the unusual step of trying to obtain from its banker a promise not to finance anything which would interfere with its planned merger with Time Incorporated. Its suit marks a new trend in defence strategy against unwanted takeovers – attacking the financier rather than the predator.

Once, lenders would simply never have countenanced financing a hostile takeover offer for one of their own clients. Such a move was considered likely to undermine the confidence of existing corporate clients, possibly resulting in an exodus of business.

But when corporate clients began to realise that they could achieve much finer borrowing costs by shopping around, rather than by giving all their business to a single lender, much of the loyalty and inhibition that bankers once felt quickly eroded. It is this process that bankers point to in defending their financing of hostile bids against clients.

On June 7, Warner filed in New York State Supreme Court an injunction barring Citicorp from providing financing itself, or from arranging the financing for, Paramount Communications' offer for Time and seeking $1bn in punitive damages. In court documents, Warner said it asked Citicorp for written assurances that it would not either finance a hostile takeover offer or in any way finance interference with its planned merger with Time.

On March 8, Warner says, Citibank told Warner in writing that it would not, for a period of 90 days, engage in discussions with any other person, entity or group about an unsolicited proposal for an acquisition or business combination involving Warner. Warner further charges that Citicorp held discussions with Paramount about a bid for Time during that 90-day period.

For its part, Citicorp would only say it is surprised at the suit and that it is not aware of any violation of its agreement with Warner. But a copy of Citicorp's May 8 letter, obtained by the Financial Times, shows that the bank omits any reference to a possible bid for Time, promising only not to fund a hostile bid for Warner.

Apparently, such formal agreements between companies and their lenders, while still rare, are becoming more common. Indeed, Time's proxy statement said that it had received written assurances, in exchange for payment of fees to some of its lenders, that they too would not provide financing for any tender offer that interfered with the merger with Warner.

Until now, legal challenges to bank financing, all of which have been unsuccessful, have charged lenders with conflict of interest, not breach of contract. In these cases, the corporation alleged that the lender had inside information available to it by virtue of its position and that it abused it. Such charges are extremely difficult to prove, particularly for lenders that have built strict "Chinese walls" within their organisations designed to separate mergers and acquisitions from other banking business.

But corporations wishing to protect themselves by contract will find that tough going as well, even for Fortune 500 companies with large banking needs. Fees to be obtained from financing hostile takeovers far outweigh those earned in the course of normal corporate lending and few banks would be willing to give up that source of income.

Norman Cohen

EUROMARKET TURNOVER ($m)

Primary Market

	Straights	Conv	FRN	Other
US$	4,020.7	0.0	270.0	10,442.4
Prev	1,200.1	0.0	68.0	9,469.7
Other	1,592.1	0.0	0.0	1,658.2
Prev	1,808.4	0.0	301.3	1,172.4

Secondary Market

	Straights	Conv	FRN	Other
US$	13,807.7	828.5	4,186.9	7,386.0
Prev	22,118.1	1,084.2	6,199.2	6,252.8
Other	12,913.4	603.3	3,347.2	21,183.5
Prev	16,259.0	874.0	4,746.6	22,793.8

	Cedel	Euroclear	Total
US$	10,330.6	30,613.6	40,944.2
Prev	12,107.0	34,305.1	46,412.1
Other	17,532.2	23,765.5	41,297.7
Prev	19,176.3	28,778.6	47,954.9

Week to June 8, 1989

Source: AIBD

INTERNATIONAL BONDS

World Bank issue raises hope of dollar integration

THE World Bank's proposed global bond issue has raised the possibility that the world's dollar bond markets might become truly integrated.

The $1.5bn deal, which will serve as a prototype for a series of similar borrowings, will probably be launched in late July. Although under discussion for months, the final outlines of the deal's structure still caused surprise.

A group of 14 banks led by Salomon Brothers and Deutsche Bank will underwrite and distribute the deal simultaneously in the Euromarkets and the US domestic market.

Mr Don Roth, World Bank Treasurer, said: "The reason for this whole exercise is that there is a fragmentation of the market for dollar securities."

He argued that the global issue will tackle several issues:

- Small issue sizes. At $1.5bn, the deal could be a very liquid international benchmark. Several Eurobond houses wanted the Bank to make the first deal even bigger, and future global deals could be as large as $3bn.
- Eligibility – the global issue is in registered form, avoiding unfavourable tax treatment for bearer bonds in the US. Consultations by the Bank with European investors revealed that the traditional bearer structure favoured by Euromarket investors is less important to them than the liquidity of particular deals.

Conventional wisdom says Eurobond investors do not buy book-entry products. However, a vast amount of Treasury bonds are in institutional portfolios in Europe. Some 90 per cent of these portfolios hold registered fixed-income products, and half their dollar allocations are in registered form.

- Clearing and settlement problems across markets. The global issue will enjoy a unique link between US "Fed wire" and Euromarket clearing mechanisms. European dealers also will gain unprecedented access to US repurchase and bond lending facilities, in theory reducing trading costs.
- Distribution. The Bank argues that when European investors are worried about the currency risk of the dollar, the issue will be supported by US investors not sensitive to the currency's fluctuation.
- Differing underwriting practices. The issue will be launched using a system derived from both the fixed price distribution system used in the US and the variable rate system common to the Eurobond market. "We'll try to establish a new system that's much more transparent than the existing Eurobond system," said Mr Roth. The idea is to blend the two methods with a spread-based pre-offer system.
- Trading problems. There are no international barriers to trading registered securities.
- Inherent market advantages for non-US investors. The World Bank is treated to non-US source income, but US investors will benefit from the issue trading in the US.

While these arguments appear valid in their own terms, seasoned Eurobond players see things differently.

The nub of the matter for the Bank is that its Eurodollar deals trade much more competitively than its Yankee issues in the US domestic bond market. As Mr Roth says, its $750m 9¾ per cent 1997 Yankee issue was recently trading to yield 9.70 per cent, while at the same time its $300m 9 per cent Eurobond of the same maturity was trading 20 basis points lower.

One condition of the global issue is that it will trade on the same desks as US government-sponsored agencies, rather than the corporate bond desks on which World Bank paper is typically traded in the US. Mr Roth says talks are going on with the New York Federal Reserve Bank about using the new bonds as agency paper in its money market operations.

The Bank hopes that US investors will increasingly see it as a surrogate agency, and this is ultimately what its talk of integrating the various dollar markets is really about. But even if the Bank succeeds in bringing about integration for its issues, few, if any, other borrowers could follow its lead.

It may be that on both the Euromarket and the US domestic market its bonds will trade on a tighter spread against Treasuries, allowing the Bank to demand a more competitive funding rate for future borrowings. This is not inevitable.

Andrew Freeman and Stephen Fidler

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Dai-Ichi Kangyo Bank§◆	300	2004	15	3⅞	100	DKB Int.	3.875
C. Itoh & Co.♦◆	600	1994	5	4⅝	100	Nikko Secs. (Europe)	4.625
C. Itoh & Co.♦◆	400	1994	5	4⅝	100	Yamaichi (Asia)	4.625
Kobe Steel♦◆	300	1993	4	4	100	Yamaichi Int. (Eur)	4.000
Kobe Steel♦◆	300	1993	4	4	100	Nomura (Singapore)	4.000
Ube Industries♦◆	400	1993	4	4	100	Yamaichi Int. (Eur)	4.000
Nichirei Corp.♦◆	150	1993	4	4⅛	100	Nomura Int.	4.125
Amada Sonoike♦◆	100	1993	4	4⅛	100	Nomura Int.	4.125
Tokyu Construction♦◆	150	1993	4	4⅛	100	Yamaichi Int. (Eur)	4.125
Nikon Corp.♦◆	300	1993	4	4	100	Nikko Secs. (Europe)	4.000
Yokohama Rubber Co.♦◆	120	1993	4	4⅛	100	Yamaichi Int. (Eur)	4.125
Toyo Construction Co.♦◆	100	1993	4	4⅛	100	Nomura Int.	4.125
Silicon Graphics Inc.§◆	50	2004	15	8	100	Morgan Stanley Int.	8.160
Ford Motor Credit Corp.◆	200	1992	3	9¼	101.40	Goldman Sachs Int.	8.700
Bergen Bank(a)◆	15	1992	3	16	101⅜	IBJ Int.	15.394
Bergen Bank(b)◆	5	1992	3	(b)	101⅜	IBJ Int.	-
BAT Int. Finance◆	400	1994	5	9⅜	101⅝	CSFB	8.958
Nippon Sheet Glass Co.♦	250	1993	4	(4⅜)	100	Daiwa Europe	★
Omron Tateisi Elec.♦	250	1993	4	(4⅜)	100	Nomura Int.	★
Nippon Oil and Fats Co♦	150	1993	4	(4½)	100	Yamaichi Int. (Eur)	★
World Bank◆	300	2004	15	9	102⅛	Deutsche Bk Cap.Mkts	8.740
Lasmo Plc◆	125	1994	5	10	103¼	CSFB	9.161
Victorian P'lic Auth.◆	150	1999	10	Zero	42.22	Salomon Brothers	9.005
Nagoya Railroad Co.♦	200	1993	4	(4½)	100	Yamaichi Int. (Eur)	★
Top Finance (Bermuda)◆	60	1999	10	9.65	101.65	Kidder Peabody	9.613
Top Finance (Bermuda)‡◆	15	1999	10	10bp	100	Kidder Peabody	-
Thermo Environmental§◆	21	1997	8	6¾	100	Shearson L'man Hutton	6.864
First Interstate(u)‡◆	150	1994	5	20bp	100	CSFB	-
Banco Nac.de Com.Int.◆	100	1994	2.6	10⅛	88.45	Merrill Lynch	13.580
AUSTRALIAN DOLLARS							
Johnson & Johnson◆	50	1990	1	18⅜	101.95	Bankers Trust Int.	18.111
ENI Int. Bank◆	40	1990	1	18⅝	101¾	Bayerische Vereinsbk	16.585
NEW ZEALAND DOLLARS							
CIBC◆	40	1992	3	14	102	Fay Richwhite	13.151
D-MARKS							
Dai-Ichi Kangyo Bank§◆	200	1996	7	2⅞	100	Dresdner Bank	2.875
Fokker NV◆	150	1996	7	7½	102	Commerzbank	7.127
London & Edinburgh Tst◆	100	1996	7	7½	99¾	BHF-Bank	7.547
Deutsche Fin. Neth.◆	1bn	1994	5	7	101	Deutsche Bank	6.758
IKB Int.(o)◆	75	1993	4	9⅜	101⅞	Bankers Trust	8.799
Berliner Elektro(p)♦◆	40	1999	10	7	130	Deutsche Bank	3.409
SWISS FRANCS							
Dai-Ichi K. Bank(g)§◆	300	1993	-	½	100	Credit Suisse	0.500
Dai-Ichi K.Bank(h)§★★◆	600	1993	-	Zero	100	Credit Suisse	-
Dai-Ichi K.Bank(i)§★★◆	100	1993	-	⅜	100	Dai-Ichi Kangyo Bank	0.375
Nitto Chem.Ind.(d)§★★◆	100	1994	-	½	100	UBS	0.500
Korakuen Co.(l)§★★◆	150	1993	-	Zero	100	Credit Suisse	-
Yuraku Real Est.(e)★★§◆	100	1994	-	½	100	SBC	0.500
Chisan-Tokan Co.(s)★★§◆	70	1993	-	⅝	100	Credit Suisse	0.625
Weston Corp.(t)★★§◆	40	1994	-	Zero	100	UBS	-
Yuasa Shoji Co.(r)★★§◆	100	1994	-	½	100	Nomura Bank (Switz)	0.500
Caisse Nat.d'Autoroutes◆	100	1999	-	6	101½	Credit Suisse	5.798
Denmark, Kingdom of(c)◆	100	1993	-	8	101½	Bqe Paribas (Suisse)	-
World Bank◆	100	2004	-	6⅛	101¾	SBC	5.945
Great Belt (Denmark)◆	100	1999	-	6	101⅛	Shearson L'man Hutton	5.848
Nippon Light Metal(f)★★§	200	1993	-	(Zero)	100	Credit Suisse	★
Wakita & Co.★★♦	30	1994	-	(1⅝)	100	Swiss Volksbank	★
STERLING							
TMC PIMBS Plc(j)‡◆	250	2030	7	18bp	100	Salomon Brothers	-
EIB(k)◆	100	2009	20	9½	91¾	EZW	10.503
United Newspapers(m)§◆	105	2004	15	8	100	CSFB	8.000
EDF(v)◆	100	2009	18½	10½	98.65	UBS Phillips & Drew	10.668
ECUs							
Arbed SA§◆	65	1999	10	5½	100	Morgan Stanley	5.500
FRENCH FRANCS							
EIB◆	1.5bn	1997	8	8.9	100	Banque Paribas	8.900
M.Fran.d'Pneu.Michelin◆	1.2bn	1999	10	9⅛	101½	Credit Lyonnais	8.892
BSN◆	1bn	1997	8	9	101¼	Credit Lyonnais	8.776
GUILDERS							
City of Amsterdam◆	150	1999	10	7⅜	101¾	ABN	7.124
Wereldhave NV◆	100	1999	10	7¾	101⅝	ABN	7.513
LIRE							
Swedish Export Credit◆	100bn	1992	3	12¾	101⅜	Italian Int. Bank	12.176
YEN							
Sparekassen SDS(q)◆	5bn	1993	4	7¼	101½	New Japan Secs.	6.809
Toronto-Dominion Bk(q)◆	3bn	1994	5	6½	101⅞	Bankers Trust Int.	6.054
EDF◆	30bn	1996	7	5.2	101.10	Yamaichi Secs.	5.075
Helaba Finance◆	5bn	1993	4	(w)	111⅛	Mitsubishi Fin. Int.	-
Postipankki(q)◆	4bn	1993	4	8.10	101⅝	New Japan Secs.	8.603
BNL(x)◆	3bn	1994	5	(x)	101⅞	Nomura Int.	-

★★Private placement. ♦With equity warrants. §Convertible. ‡Floating rate notes. ◆Final terms. a) Oil-linked redemption. b) Oil-linked coupon for first year, then 11%. c) Borrower option to redeem in SFrs or US$ at SFr1.60. d) Yield to put 2.212%. e) Yield to put 2.218%. f) Indicated yield to put 3.26%. g) Yield to put 2.785%. h) Yield to put 2.971%. i) Yield to put 2.816%. j) 18bp over 3-month Libor, rising to 50bp after 10 years. k) Fungible with bond issue launched Nov.1988. l) Yield to put 3.001%. m) Convertible into Reuters 'B' shares at 876.5p per share from Oct. 1989. n) 10bp over 6-month Libor. o) Borrower option to redeem in either DM or C$ at DM1.53. p) Each DM5,000 bond has warrants giving right to purchase 5 ord. shares and 5 pref. shares. q) Redemption linked to Nikkei stock index. r) Yield to put 2.338%. s) Yield to put 2.431%. t) Yield to put 3.10%. u) 20bp over 6-month Libor. v) Serial redemption after 2005, 25% of each bond retired annually. w) Coupon 5¼%, rising to 8%. x) First coupon 5.4%, Nikkei-linked thereafter. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Special factors trigger surges

ON THE SURFACE, the movements in financial markets last Friday in the wake of news of a 0.9 per cent surge in producer prices in May were strange, to say the least.

Rudimentary economics always teaches us that bond prices fall on a heightening of inflation expectations and that precious metals are a tried and tested inflation hedge. And yet on Friday, bond yields fell to their lowest level since April 1987, and both gold and silver fell to new contract lows on New York's Commodity Exchange.

Gold was as much as $18 lower, the largest fall in a year, silver declined by as much as 33.5 cents an ounce and the yield on the Treasury's benchmark long bond ended the week at around 8.14 per cent, a price gain of more than three full points for the week.

There were two important special factors to include in any assessment of what lies behind these market movements, one which happens periodically and one which no one can possibly foresee or wish for under any circumstances.

The first factor to note was the latest meeting of the Organisation of Petroleum Exporting Countries which appeared to leave the cartel deeply riven and which sent crude oil futures contracts tumbling last week.

Kuwait said that it had signed a new production agreement which raised the Opec production ceiling with reservations. Other members talked about the $18 a barrel reference price as no more than a guide to where the cartel wanted prices to be, discussion taken by the markets as evidence that Opec will not be able to push oil prices higher and indeed may not be able to prevent them falling.

This is leading bond market analysts to believe that the surge in oil prices so far this year has ended and that oil will stop boosting the PPI and the Consumer Prices Index by the July measurements.

The second factor which glowered in the background to everything last week was the appalling situation in China. The crackdown by the military against the pro-democracy movement and the subsequent re-emergence of conservative leaders in charge has certainly provided a powerful boost to the dollar, which closed the week well above DM2.00 and above Y146, its highest level since October 1987.

Immediately after news of the massacre in Beijing, talk was of inflows into the dollar as a safe haven currency. There was also talk, however, of strong and fundamental investment buying as foreigners poured funds into US securities, particularly bonds. By the end of the week, panic and concern in Far Eastern centres such as Hong Kong appeared to be causing a significant flight of capital into dollar-denominated securities.

Political events often have only a temporary effect on foreign exchange dealing. Time was when every time Iran or Iraq bombed an oil platform or terminal in the Gulf, there was a scramble to buy dollars. However, that effect was always temporary and always seemed to have more to do with foreign exchange dealers playing the market opportunistically to make a turn than genuine concern about a political situation.

China seems to be different. The dollar buying has not appeared to be merely temporary and speculative – an influx of hot money. The inflows have been substantial and sustained and broadly-based enough to suggest a genuine, and lasting, flight to quality. By the end of last week, currency traders admitted that China had had a more significant effect than anyone had expected.

These then are some of the special ingredients of last week's startling movements in US financial markets. But there is also an underlying optimism about the path of the US economy which set the stage for bonds to profit from political turmoil overseas.

First of all, the 0.9 per cent rise in the PPI in May was widely seen as distorted by special factors. Car, food and energy prices all contributed significantly to the jump. Core inflation – the PPI ex food and energy – rose by 0.5 per cent while intermediate goods rose by only 0.1 per cent.

Taking all this into account, the consensus was that the rise in the PPI was not enough to persuade the US Federal Reserve to reverse the around ¼ point easing in the Fed Funds rate engineered early in the week but would dissuade the central bank from any further easing for the time being.

The dominant view appears to be that the US economy is decelerating quickly and that inflation has peaked. Salomon Brothers issued a forecast on Friday of a fall in long bond yields to 7½ per cent within a year. Donaldson, Lufkin & Jenrette is looking for 8 per cent yields within three to six months.

With this kind of talk, coupled with a strong dollar, it is no wonder that investors both within the US and from overseas are keen to lock in yields at current levels.

There remain doubters. The conundrum facing the Fed is that any further easing in monetary policy (or even expectations of further easing already on display in short-term interest rates) may give the economy new vigour.

As Mr Robert Brusca, chief economist with Nikko Securities in New York, puts it: "The bond market is so far out in front of the Fed, and it has made market rates so low, that the Fed may never put its stamp of approval on the current set of market rates as the economy snaps back."

An awful lot more Fed easing from Friday's Fed Funds rate of 9⅝ per cent is needed to justify two-year Treasury yields of 8.20 per cent.

As long as the dollar remains strong, there is a powerful anti-inflationary force at work. But markets will have to watch carefully for any renewed strength in the consumer sector in response to the sharp fall in interest rates. If it looks as if the economy is accelerating again in the third quarter, particularly after such a long business expansion when capacity usage is very high, markets will start to get worried.

Economists at Kidder, Peabody note that since the current recovery began, the consumer has played a key role in the strength or softness in economic activity and the level of industrial production has tracked consumer spending closely.

In other words, whether or not the Fed eases further, the plunge in market interest rates seen so far could provide a powerful boost to economic growth. Will it be enough to reignite inflation or even prompt the Fed to tighten again?

Janet Bush

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	9.13	9.51	9.75	10.00	6.27
Three-month Treasury bills	8.46	8.62	8.72	9.11	5.60
Six-month Treasury bills	8.28	8.56	8.87	9.30	5.74
Three-month prime CDs	9.10	9.30	9.78	10.15	6.77
30-day Commercial Paper	9.25	9.50	9.60	9.81	6.65
90-day Commercial Paper	8.95	9.15	9.57	9.82	6.65

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	106[illegible]	+[illegible]	8.15	8.49	9.37
20-year Treasury	110[illegible]	+1[illegible]	8.16	8.55	9.24
30-year Treasury	108[illegible]	+3[illegible]	8.14	8.45	9.09

Source: Salomon Bros (estimates).

Money supply: In the week ended May 29, seasonally adjusted M1 rose $1.8bn to $773.8bn.

NRI TOKYO BOND INDEX

December 1983 = 100	8/6/89	Average yield (%)	Last week	12 wks ago	26 wks ago
		PERFORMANCE INDEX			
Overall	148.14	5.16	147.82	147.30	148.38
Government Bonds	148.27	4.97	147.83	147.22	149.82
Municipal Bonds	150.06	5.35	149.77	149.45	149.81
Govt.-guaranteed Bonds	151.11	5.40	150.85	150.60	150.75
Bank Debentures	141.87	5.15	141.71	141.54	141.39
Corporate Bonds	150.50	5.46	150.38	148.69	147.25
Yen-denom. Foreign Bonds	155.26	6.06	155.10	153.43	150.30
Government 10-year†	5.06		5.10	5.01	4.75

† Estimated par yield

Source: Nomura Research Institute

UK GILTS

Yields likely to hold above 10%

THE GILT-EDGED securities market almost regained its composure last week but the message is that it will take time before yields for longer-dated stocks fall below the 10 per cent level.

Having broken through some major resistance points on the way up to 10.25 per cent a week ago, the market may well find that resistance becomes support on the way down.

But there are fundamental as well as technical reasons for thinking that 10 per cent might prove to be a support level for some time to come. They can be summed up in one word: inflation.

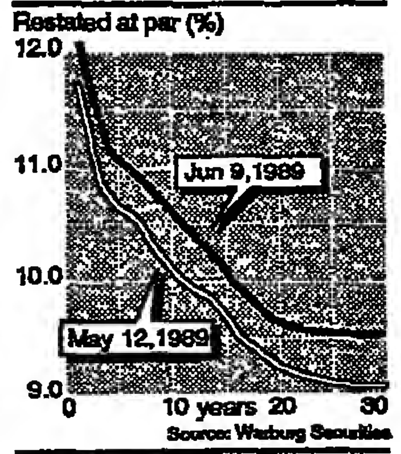
Friday's producer price index figures from the US underlined the fact that the US authorities have yet to squash completely the inflationary impulse. For investors outside the US the strength of the dollar is also worrying, as its persistence will raise concerns about the importing of inflation.

Despite reassuring words from Mr Nigel Lawson, the Chancellor, on economic policy last week, together with his prediction that inflation will peak at "slightly" more than 8 per cent quite soon, the market is far from clear in its own mind when UK inflation will peak, at what rate and what it is likely to be at the end of the year.

To some, Mr Lawson's use of the word "slightly" is consistent with inflation rising to

UK gilts yields

Restated at par (%)



Source: Warburg Securities

around the consensus expectation of 8.6 per cent in June/July. The range of analysts' expectations for the annual rate of inflation in May is 8.1 per cent to 8.7 per cent, the consensus being 8.3 per cent. Few, however, believe that May will mark the peak in inflation.

Here is a sample of four gilt dealers' views of the matter: NatWest Gilts, peak of 8.9 per cent in July, 6.5 per cent in December; Credit Lyonnais, peak of 8.7 per cent in July, 7 per cent in December; Chase Investment Bank, peak of 9.4 per cent in July, 9.3 per cent in December; Greenwell Montagu, peak of 8.6 per cent in May, June and July, 7.7 per cent in December.

Underlying the views of the four is that there has been a significant deterioration in inflation which makes the Chancellor's Budget prediction of 5½ per cent inflation in the fourth quarter unrealistic. As Mr Roger Bootle of Greenwell Montagu puts it, the effects of rising commodity prices and a weak pound, together with buoyant average earnings growth but sluggish output, all combine to push inflation higher and support it.

Earnings is the main menace and reports of the underlying rate reaching an annual figure of around 10 per cent by the end of the year is disquieting to many.

Most expect a modest rise in the mortgage rate – possibly half a point in August – which will counteract the beneficial, but largely arithmetical, effects of last August's mortgage rate rise dropping out of calculation. The underlying (ex-mortgage interest effect) rate stays uncomfortably high all year.

Little wonder, then, that long-dated yields ended on Friday pushing 10.25 per cent. With this week's numbers being just a confirmation of a pretty awful outlook but promising no clues of the turning point, it is difficult to see the market do much more than tread water and hoping that it does not drown.

● There is still a lot of nervousness in the market surrounding sterling. One view last week that commanded a fair measure of support was that the Chancellor's vigorous defence of his economic polices left him exposed on interest rates. By denying himself any alternatives Mr Lawson gave the markets a free shot at sterling: "You sell it, I'll raise interest rates."

Predicting exchange rates is a mug's game. But there were some encouraging signs last week which suggested to some, at least, that sterling may have found its equilibrium. According to Mr John Sheppard of Warburg Securities, there were strong inflows into all manner of short sterling instruments (gilts, Treasury bills, floating rate notes) last week.

The reason was not hard to find. Compared with yields on offer in the West German or Japanese markets, short rates in the UK offer twice the magnitude. Sterling will have to fall considerably for those investors to lose out. This would suggest that the pound is safe, for the time being.

The risk is from the unanticipated piece of bad news. From a domestic point of view, most, if not all, of the bad news on inflation is now in the market. The main risk, therefore, may come from abroad and it is likely to be in the form of a further rise in West German interest rates and the persistently strong dollar. But the bottom line is that Mr Lawson may just be successful in scraping through with 14 per cent base rates.

Simon Holberton

FT/AIBD INTERNATIONAL BOND SERVICE

[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on JUNE 9

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

BNZ given NZ$200m interim aid

By Our Wellington Correspondent

THE New Zealand Government is immediately pumping NZ$200m (US$115m) into the state-controlled Bank of New Zealand to reassure international markets in the wake of a disastrous annual loss.

The cash injection, apparently at the urging of the Reserve Bank, New Zealand's central bank, is in effect bridging finance until the BNZ receives the proceeds of a NZ$400m issue of new shares, expected in late August.

The share issue, and that of a further NZ$200m of securities which will rank as capital, was announced last week, when the bank posted a NZ$648.8m loss for the year to March 31 – the worst-ever annual result from a New Zealand company.

However, it will come too late to meet a June 30 deadline which was imposed by the Reserve Bank under which all New Zealand-registered banks must comply with minimum capital adequacy standards, in the first stage of a plan to adopt the Bank for International Settlements' guidelines on the issue.

A BNZ official said the immediate NZ$200m injection (in the form of non-voting redeemable preference shares which will not accrue interest or dividends) had been agreed after discussions between the BNZ, the Government, and the Reserve Bank. "It makes a lot of people happier. It's a very strong international signal that not only has the Government backed the bank in name, but in fact."

Although the extra NZ$200m will make the bank's capital structure more internationally acceptable, it will have little effect on its normal operations. Under the deal, the money flows back to the Government through being invested roughly equally in five-year government stock and three-month Treasury bills.

A balance sheet issued by BNZ late last week showed shareholders' funds at just NZ$889m and total assets of NZ$16,381m at March 31. On a risk-adjusted basis, the "tier 1" core capital adequacy ratio was just 1.6 per cent – well under the 4 per cent required by June 30. The overall ratio was 4.5 per cent, compared with the 5.5 per cent required by the Reserve Bank.

On a pro-forma basis, the NZ$600m capital injection, when completed, will boost the ratios to 5.1 and 7.9 per cent respectively.

The interim NZ$200m from the Government will bring the overall ratio in line with that required, although the tier 1 will still be short, at 2.8 per cent. However, the BNZ official said, the Reserve Bank was happy with the situation, given the existence of a government underwriting guarantee over the impending share issue.

That share issue will see the small New Zealand merchant bank, Capital Markets, headed by Mr Michael Fay, take a 29 per cent stake in the bank, diluting the Government's shareholding from 84 to 53 per cent.

The cause of the BNZ's financial woes was a disastrous foray into corporate banking, with bad or doubtful loans amounting to NZ$1.3bn in the latest accounts.

Since the loss announcement there has been much debate about whether the bank had been far too harsh in its debt provision, but Mr Frank Pearson, the chairman, defended his board's stance at the weekend.

He said US consultant, Booz Allen and Hamilton, which spent a month scouring the bulk of BNZ's loan book earlier this year, had, recommended even larger provisions.

Apple launches products to link PCs

By Louise Kehoe in San Francisco

APPLE COMPUTER is expected to launch a broad range of new communications products today to link its Macintosh personal computers to mainframe and minicomputers on networks.

With its new offerings, Apple aims to extend its markets to include corporate users who want to integrate the Macintosh into multi-vendor distributed computing systems.

For Apple, the products represent the results of a two-year effort to strengthen its networking capabilities. Although Apple has long recognised the need for communications links with other types of computers, it has been relatively slow to implement them.

While Apple's Macintosh systems software has been the key to Apple Computer's success in recent years, providing it with a significant competitive advantage over other personal computer makers, the proprietary nature of the Macintosh creates major networking difficulties.

These have been addressed only erratically by Apple, the company admits, leaving third parties to develop products that provide a degree of connectivity between the Macintosh and other systems.

With its product introductions today, Apple will for the first time implement a strong communications strategy, says Mr Henri Aebisher, Apple's director of communications and network product marketing. "We are putting the pieces into place to extend the Macintosh environment, to make integration of the Macintosh more and more possible."

The series of hardware and software products include local area network controller cards, software to enable the Macintosh to communicate with IBM computers over various types of networks, software to link Macintoshs to networks of computers running UNIX and tools to enable software developers to produce applications that take advantage of the Macintosh's new communications capabilities.

Joint bank planned for Turkey

By Jim Bodgener in Ankara

A JOINT merchant bank in Turkey will soon be created by four inter-related European institutions, Banque Indosuez (France), Société Générale de Belgique and Générale de Banque (Belgium) and Amro Bank (Netherlands).

The bank's managing director will be Mr Yavuz Canevi, the former Turkish treasury chief and central bank governor, who will also be a small minority shareholder.

To be called European Turkish Merchant Bank (Euro-Turk Bank), the institution will have a capital of US$10m, and will aim to serve as a bridge between Europe and Turkey, backed by the existing links between the four institutions, and their large European industrial bases.

However, Euro-Turk Bank will not be wholly dedicated to European investment, but is confident it can tap funds from the US and Japan, among other countries, Mr Canevi said.

An application to form the bank will be lodged this week with the Turkish Government.

Global share issue for Pirelli

By Katharine Campbell

PIRELLI Tyre Holding, a newly-created Netherlands-registered company, is issuing 9m ordinary shares in a global offering arranged by Morgan Stanley International with a group of regional lead managers.

The shares, which have a nominal value of Fl 10 ($4.5), will be priced on June 22 at a level between Fl 48-Fl 58. The final allotment is due a week later.

Initially, the shares are to be listed on the Amsterdam Stock Exchange and Seaq International in London. The US market will be accessed for the time being via a private placement only, due to the time-consuming nature of registration for a public offering.

The new company represents a flotation of the group's tyre division, which accounts for roughly 45 per cent of total revenues.

On completion of the deal, around 20 per cent of the new company's equity will be held by shareholders of the present allotment, with the Milan-based Pirelli holding a further 65 per cent and the ultimate holding company, the Swiss Société Internationale Pirelli, owning about 15 per cent.

However, there is an over-allotment option which allows Pirelli Tyre to issue a further 2m shares should demand in the after market warrant it.

The syndication structure differs from customary techniques because Morgan Stanley has kept back 20 per cent of the shares until final allotment. The balance will then be distributed to those regional managers who are deemed to have performed best. Good demand to date has been seen in continental Europe.

Swiss Bank moves bond arms

By Katharine Campbell

SWISS BANK Corporation, which is in the process of restructuring its fixed income business, has announced that the company's D-Mark and Dutch guilder bond trading operations will be concentrated in their respective domestic centres with effect from July 1.

The two bond trading teams, previously split between London and the Continent, will in future be operating in the Frankfurt subsidiary (for D-Marks) and in Amsterdam (for guilders).

The sales force will continue to operate from a number of centres around the globe.

The existence of one single book will facilitate "closer monitoring of risk control in these currencies," SBC said in Frankfurt. The consolidation would involve an increase rather than decrease in staffing levels, both in sales and trading.

While the cash market in German Bundesobligationen has become more, rather than less, centralised in the last year, so that around half the daily turnover is now in London, SBC argues that an institution running a broadly-based book in German bonds should be functioning from the local market.

FT UNIT TRUST INFORMATION SERVICE

• For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth						0345 717373
High Income						
American Income	6	55.63	56.24	59.83	4.58	40000
Gilts & Fixed Int	6	109.10	109.10	115.7	8.64	40001
High Inc Equity	6	133.8	136.6	145.4	4.37	40002
Worldwide Bond	6	203.3	203.3	215.4	4.50	40003
Capital Growth						
American Growth	6	191.0	193.5	205.9	1.20	40004
Asian Pacific	6	91.96	91.96	98.36	0.71	40005
Assets & Earnings	6	160.5	160.5	171.7	1.51	40006
Capital Reserve Acc	0	84.98	84.98	85.04	[illegible]	[illegible]
Commodity & Energy	6	101.2	101.2	108.3	0.97	40008
1992 Enterprise	6	58.52	59.64	63.45	[illegible]	[illegible]
European Capital	6	86.26	86.93	92.48	0.81	40009
General	6	177.1	180.0	191.5	2.35	40010
International		47.15	47.15	49.97	1.00	–
Japan	6	107.9	107.9	115.5	0.00	40011
Mastertrust	6	85.96	85.96	91.88	1.56	40012
UK Growth Acc	6	201.0	201.0	215.01	1.05	40013
UK Growth Dist	6	134.0	134.0	143.4	1.57	40014
US Emerging Cos	6	57.00	59.07	62.85	0.00	40015
Income & Growth	6	293.5	293.5	314.0	3.26	40016
Ethical	6	49.22	50.44	53.67	[illegible]	40017
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ						[illegible]
Amer Inc & Growth	5	31.95	31.95xd	34.11	3.33	[illegible]
European	5¼	63.65	63.96	68.27	0.00	[illegible]
European Income	5¼	63.71	63.71xd	68.01	3.11	41377
Exempt	1	807.0	807.0	842.3	2.25	41379
Extra Income	5	42.84	42.84xd	45.73	5.00	[illegible]
F East Emerg Econs	5¼	43.96	43.96	47.08	0.90	41380
Fund Inv Tst	5	121.6	121.6	129.8	[illegible]	[illegible]
Do Accum	5	189.4	189.4	202.2	2.54	[illegible]

[illegible]

GUIDE TO UNIT TRUST PRICING

[illegible]

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● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD						01-405 8331
Combd & Equity	5	62.97	65.62	69.80	1.86	40598
European	5	66.02	66.36	70.59	0.09	40600
Far Eastern	5	59.00	59.04	62.81	0.75	40602
Growth Inc	5	89.07	92.52	98.42	1.38	40600
Growth Acc	5	89.07	92.52	98.42	1.38	–
Income Inc	5	85.33	87.26	92.83	4.68	40601
Income Acc	5	85.33	87.26	92.83	4.68	–
Property Share	5	54.84	54.84	58.45	1.98	41602
Smaller Co's	5	58.63	61.98	65.93	1.45	40605
Formerly RBC Trust Managers Ltd						
Nth American	5	64.92	64.92xd	69.43	1.54	40209
International	5	47.36	47.36xd	50.65	1.42	40210
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Bloomfield St, London EC2M 7AY						01-588 0592
Growth	5	109.99	109.99xd	114.99	3.23	41604
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pt, Fenay Bdge, Huddersfield						0484 602250
Yorkshire General	5¼	63.47	65.89xd	70.10	2.62	41605
YUTM UK Eq Inc Tst	5¼	60.11	62.21	66.18	4.61	41606
YUTM Intl Gwth Tst	5¼	50.22	50.22	53.59	1.02	41175

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Int'l Expt June 7	485.3	503.6	–	40005	

Cent. Bd. of Fin. of Church of England‡‡

2 Fore Street, London EC2Y 5AQ 01-588 1815

Inv Fund May 31	515.45		4.75	40251
Fxd Int Sec May 31	139.45		10.35	40252

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Premium Life Assurance Co Ltd
37-39 Perrymount Road Haywards Heath 0444 458721

	Bid Price	Offer Price	Yield Gross	City-line
American	135.0	143.0	–	43285
Building Soc. Fd	171.0	180.0	–	43286
Balanced	282.0	297.0	–	43287
European	174.0	184.0	–	43289
GT Managed	175.0	185.0	–	43290
Gartmore Mngd	116.0	123.0	–	43291
German	119.0	126.0	–	43292
Gilt	178.0	188.0	–	43293
Global	48.0	51.0	–	–
High Inc	120.0	127.0	–	43294
International Equity	194.0	205.0	–	43295
Japan	236.0	249.0	–	43296
Managed	63.0	67.0	–	43297
Property	283.0	298.0	–	43298
R W Imperial Gold	142.0	150.0	–	43299
UK Equity	366.0	386.0	–	43300
Pension Funds				
American	154.0	163.0	–	43301
Building Soc. Fd	171.0	180.0	–	43302
Balanced	218.0	230.0	–	43303
European	172.0	182.0	–	43305
German	107.0	113.0	–	43308
Gilt	153.0	162.0	–	43309
International Equity	142.0	150.0	–	43310
Japan	135.0	143.0	–	43311
Managed	64.0	68.0	–	43312
Property	217.0	229.0	–	43313
UK Equity	331.0	349.0	–	43314

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4BE 0539 33733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
Balanced Grth Mngd	599.8	632.1	–	43315
Adventurous Mngd	128.4	135.4	–	46402
Secure Mngd	109.2	115.1	–	46403
Cash Fd	233.0	245.6	–	43316
Property Fund	285.7	304.0	–	43317
Equity Fund	672.1	715.0	–	43318
Fxd. Int. Fund	292.0	310.7	–	43319
International	308.6	328.3	–	43320

Prudential Holborn Pensions Ltd—Contd.

	Bid Price	Offer Price	Yield Gross	City-line
Communications	105.1	110.7	–	43537
Smaller Companies	106.8	112.5	–	43538
International Small Cos.	131.0	137.9	–	46659

Prudential Pensions Limited
Holborn Bars London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	Yield Gross	City-line
Discretionary June 7	£153.22	158.55	–	43539
Equity June 7	£166.46	172.70	–	43540
International June 7	£26.03	26.77	–	43541
Intl Bond June 7	£12.57	12.74	–	43542
Fixed Int June 7	£70.72	71.67	–	43543
Index Linked June 7	£59.37	60.11	–	43544
Property June 7	£109.54	116.07	–	43545
Cash Mar 31	£20.8366	20.8366	–	43546
Pru-Linked Retirement Plan				
Managed June 7	377.6	393.4	–	43547
Cash June 8	195.7	203.9	–	43548
Prudential Pensions Investment Account				
Pens Mngd June 9	154.6	166.5	–	43549
Pens UK Eq June 9	307.1	331.3	–	43550
Pens Intl June 9	184.1	197.7	–	43551
Pens Fixed June 9	163.5	172.7	–	43552
Pens Index Lk June 9	153.1	161.7	–	43553
Pens Cash June 9	127.8	134.6	–	43554

Regency Life Assurance Co Ltd
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800

	Bid Price	Offer Price	Yield Gross	City-line
Aggressive Pf'lio Fd	119.0	125.2	–	43555
Balanced Pf'lio Fd	311.4	327.7	–	43556
Cautious Pf'lio Fd	120.7	127.0	–	43557
Ellis Fund	108.2	113.8	–	43558
European Fund	84.8	89.2	–	43559
Far East Fund	106.8	112.4	–	43560
Fixed Interest Fund	237.1	249.5	–	43561
International Fund	269.3	283.4	–	43562
Money Fund	176.4	185.6	–	43563
N. American Fd	121.1	127.4	–	43564
Property Fund	413.1	434.8	–	43565
UK Equity Fd	380.4	400.1	–	43566
A I M Brewin Dolphin Fd	93.6	98.5	–	43567
Swiss Select Invs	110.1	115.9	–	43568

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

[illegible]

Bamford Brandt Guernsey Mngt. Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Tech and Comm.	£11.40	12.11		44712
Pacific Basin Fd.	576.24	81.02		44713
Western European	516.87	18.04		44714

The Bangkok Fund
Merrill Lynch Intl Capital Mngmt (Gsy) Ltd
June 7 Nav US$47.74 Baht (1,235.06)(for info only)

Baring Fund Managers (Guernsey) Ltd
Baring Currency Fund Ltd

	Bid Price	Offer Price	Yield Gross	City-line
US Dollar		513.04		44754

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

IoM (SIB RECOGNISED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

GUERNSEY (**)

[illegible]

JERSEY (**)

[illegible]

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
14	NZ 7¾pc 1988-92	87½	12.10	1 12	1Jan 1Jul	–
–	S Rhod 2½pc Non-Asstd	206	–	–	1Apr 1Oct	–
4	Do. 4½pc 87-92 Asstd	84½	9.33	9.1	7Feb 7Aug	–

LOANS

Building Societies

20	N'wide Anglia 9⅞ 26.6.89	99¾ xd	13.96	9 6	26June 20Dec	–
20	Do. 10⅞pc 27.7.89	99	14.47	12 12	11Jan 17Jly	–
20	Do. 11⅛pc 7.8.89	99	[illegible]	3.1	1Feb 7Aug	–
20	Do. 11⅛pc 29.8.89	99	[illegible]	–	2Feb 29Aug	–
20	Do. 12¾pc 18.9.89	99	[illegible]	10 2	12Mar 10Sep	–
20	Do. 12pc 2.10.89	99	[illegible]	27.2	26Mar 20Oct	–
20	Do. 11⅞pc 6.11.89	98	[illegible]	31 3	30Apr 6Nov	–
20	Do. 12pc 4.12.89	99	[illegible]	28.4	[illegible] 4Dec	–
20	Do. 12pc 2.1.90	99 xd	[illegible]	30.5	2Jan 28Jun	–
20	Do. 12pc 29.1.90	98	[illegible]	9 2	29Jan 23Jly	–
–	Do. 12pc 26.2.90	98	[illegible]	–	26Feb 20Aug	–
60	Do. 3⅞pcIL Ln 2021	99	4.45	23.1	30Jan 31Jul	3465

Public Board and Ind.

3	Agric. Mt. 5pc '59-89	99	–	1 6	1Jan 1July	1532
25	Met. Wtr. 3pc 'B'	46	10.41	1.2	1Mar 1Sep	3361

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Div % Gross	Yld	Last xd	Interest Paid	City-line
7	Greek 7pc Ass.	40	3.50	8.75	1 11	1May 1Nov	2763
4	Do 6pc 28 Stb. Ass.	48	3	7.50	1 2	1Feb 1Aug	2762

AMERICANS

Continued on next page

The Charities Deposit Fund
2 Fore Street, London EC2Y 5AQ 01-588 1815

Deposit	13 10	–	13 76	–

Gartmore Money Management Ltd
2-3 White Hart Yard, London SE1R 1NX. 01-236 1425

Call Fnd	12.92	10 11	13 63	–
7-day Fund	13 09	10 24	14 00	–
Special Fund	13.05	–	13 86	–
Dollar	8 25	6 46	8 82	–

Money Market Bank Accounts

	Gross	Net	Equiv CAR	City-line

AAB—Allied Arab Bank Ltd
97-101 Cannon St, London, EC4N 5AD 01-629 6802

DMMA (£2 001+)	13 67	10 70	14.98	–
HICA (£2,001+)	13.10	10 25	14.33	–

Aitken Hume
30 City Road, EC1Y 2AY 01-638 6070

Treasury Acc.	12 50	9 78	13 52	–
Mth Int Chq £1,000-£4,999	12.50	9.78	13 64	–
Mth Int Chq £5,000-£49,999	13 00	10.17	14 20	–
Mth Int Chq £50,000+	13.50	10.56	14 77	–

Bank of Ireland High Interest Cheque Acc
36 Queen St, EC4R 1BN. 01-625 7000

2,000-9,999	12.780	10.000	13.842	–
£10,000+	13.099	10.250	14.301	–

Bank of Scotland
38 Threadneedle St, EC2P 2EH. 01 601 6746

Money Mkt Cheque Acc.	12.80	10.011	13.99	–

Barclays Prime Account

Money Market Trust Funds

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AMERICANS – Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
162.4	Cullinet Sftwr 1c	503p	–	–	–	–	–
1,184.9	Dana Corp $1	26	$1.60	3.8	30.5	Mr Jn Se De	2306
320.8	Data General	11	–	–	–	–	–
6,804.9	Dun & Bradstreet $1	36	$2.00	3.5	13.2	Mr Ju Sp Dc	–
1,736.9	Eaton Corpn. 50c	40	$2.00	3.1	1.2	F My Au N	2410
660.7	Echlin Inc	11	70c	4.0	3.4	JanAprJulOct	–
2,620.4	FPL Group 1c	19	$2.20	7.0	23.11	MrJnSepDec	–
16,233.5	Ford Motor $1	30	$3.00	6.1	27.4	Mar Jun S D	2615
815.5	GATX 62½c	43	$2.00	2.9	7.3	Mar Jun S D	2662
31,865.5	Gen Elect 63c	34	$1.64	3.0	7.6	Ja Ap Je Oc	2675
–	General Host Corp $1	551p	30c	3.4	13.12	–	–
3,072.3	Gillette $1	26½	96c	2.3	27.1	Mar Jun S D	2695
290.8	Gt Am First Svgs Bk $1	887p	60c	4.3	28.10	[illegible]	–
915.4	Greyhound $1½	23	$1.32	3.5	30.5	Ja Ap Jy Oc	2778
726.2	Hasbro Inc 50c	13	16c	0.7	2.5	Ja Mo Au My	–
2,109.3	Honeywell $1½	48	$2.10	2.8	23.5	Mar Jun S D	2919
2,265.0	Houston Inds	19	$2.96	9.7	10.11	Mr Ju Se De	–
41,568.7	IBM Corpn $1¼	69	$4.84	4.4	5.5	Mar Jun S D	2986
1.00	Image Storage/R Sys 1c	47p	–	–	–	–	2961
1,474.1	Ingersoll-Rand $2	27	$1.04	2.4	16.5	Mar Jun S D	2979
2,050.2	Lockheed Crpn. $1	31	$1.60	3.2	15.2	Mar Jun S D	–
349.6	Lone Star Inds $1	21	$1.90	5.7	1.3	Mar Au N Mar	3216
738.7	Louisiana Land 15c	23	$1.00	2.7	26.5	Mar Jun S D	3222
653.9	Lowe's 50c	16½	48c	1.8	9.1	Jan Ap Jly Oc	–
1,134.2	Manuf Hanover $1	23	$3.28	8.8	26.6	Jan Ap Jly Oc	3279
2,086.3	Merrill Lynch $1	19	$1.00	3.2	31.10	Feb My Au N	3351
509.2	Molex Inc	2007p	3.2c	–	–	–	3397
4,764.9	Morgan (JP) $2½	26½	$1.60	4.0	21.12	Jan Ap Jly O	3418
11,577.7	NYNEX $1	55	$4.36	5.2	27.6	F May Au N	–
393.8	PHH Corp	23½	$1.12	3.0	4.4	Ja Ap Jy Oct	–
–	Pacific Agr.	257p	–	–	–	–	–
1,756.8	Pacificorp $3¼	25	$2.76	6.6	19.4	Feb My Ag Nv	–
11,517.3	Pacific Telesis 10c	26	$1.88	4.4	12.85	Fe My Au No	–
800.1	Pall Corp 25c	21	48c	1.4	24.1	Fe My Au No	–
2,206.1	Pennzoil 83 1/3c	53	$3.00	3.5	25.5	Mar Jun S D	3630
843.1	Premark Intl.	24	60c	1.6	17.3	Jan Ap Jl Oc	3710

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

For Wood (Graham) see Graham Wood

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

INSURANCES—Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- ♣ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock a Annualised dividend. b Figures based on prospectus or other offer estimate c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89 G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.. γ	98	.....
Craig & Rose £1.. γ	720	.....
Finlay Pkg 5p.... γ	88	.....
Holt (Jos) 25p..... γ	1325	+15

IRISH

Cap. 8½% Ln 1991..	£98	.....
9pc Cap Ln. 1996.	£98	.....
Fin. 13% 97/02.	£118	.....
Arnotts..............	440	.....
Carrol (P.J.). .... γ	152	.....
Hall (R. & H.).......	168	.....
Helton Hldgs....... γ	73	+1
Irish Ropes...........	203	.....
United Drug.........	138	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	38
Amstrad	11
BAT	45
BOC Grp.	42
BSR	6½
BTR	32
Barclays	42
Beecham	58
Blue Circle	48
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	48
Comm Union	32
Courtaulds	30
FKI Babcock	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	110
Grand Met	48
GUS 'A'	98
Guardian	18
GKN	34
Hanson	16
Hawker Sidd	60
ICI	108
Jaguar	28
Ladbroke	48
Legal & Gen	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	58
Marks & Spencer	15
Midland Bk	38
Morgan Grenfell	24
Nat West Bk	52
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect	48
RHM	42
Rank Org Ord	88
Reed Intnl	34
STC	32
Sears	18
TI	38
TSB	10
Tesco	14
Thorn EMI	56
Trust Houses	24
T&N	18
Unilever	46
Vickers	18
Wellcome	42

Property

Brit Land	32
Land Securities	52
MEPC	50
Raedsworth	28

Oils

Brit Petroleum	21
Burmah Oil	58
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines

Cons Gold	108
Lonrho	30
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

CURRENCIES AND MONEY REVIEW

A testing time for sterling

STERLING NOW faces a potentially tough time, depending on the reaction to important UK economic data due this week. These include producer prices, retail sales, average earnings and inflation. Confidence has already been shaken as investors show their concern about Government policy and the poor recent record on the balance of payments front and on inflation.

But what has prompted institutions to put their money offshore? After all, UK short-term interest rates are now at a higher level than when sterling was virtually at parity with the US dollar in February 1985. In essence, much of the problem centres on too much money chasing a reasonable return, and the situation has come about mainly because of the Government's own policies.

Short term interest rates are attractive; longer term rates are not, so that not only do overseas investors look elsewhere, but some domestic funds - which the Government would very naturally like to see deposited onshore - are going abroad. UK inflation is running at 8 per cent, and many forecasters expect it to peak later this year at anything up to 9½ per cent. But a long dated UK Government bond is yielding just over 10 per cent, offering a real return over inflation of aroundone per cent.

If inflationary expectations are so poor, why has the price of Government paper not fallen, and pushed the yield higher? Part of the answer has already been identified; it is the Government's policy of fully 'unfunding', or neutralising, the effects of a Public Sector Debt Repayment (PSDR) on the broad money supply. To this end, the authorities have been buying back Government debt in order to offset the excess of Exchequer income over spending. This has reduced the availability of a long term home for foreign funds needed to offset the trade deficit.

Any change in policy was ruled out by Mr Nigel Lawson, the UK Chancellor of the Exchequer last week, and repeated again with some force in a special television interview yesterday. He repeated the Government's determination to use interest rates as a means of controlling inflation.

But it is not only the lure of an attractive return that isneeded to bring funds back into sterling; it is also a matter of confidence. There is no doubt that the widely claimed rift between Mrs Margaret Thatcher, Prime Minister, and her Chancellor, on appropriate monetary policy that has affected sentiment; there is also a growing general perception that the Government's overalleconomic policies are not working, or at least not fast enough to allay market fears.

The exchange rate remains the lynch pin ofMr Lawson's strategy, and it is an accepted rule of thumb that a five per cent sterlingdepreciation adds one per cent to inflation over the following one to two years. Sterling has already fallen by five per cent since the beginning of this year, which explains the Treasury's apparentdetermination to avoid any further depreciation.

The foreign exchange market sees little hope of an early return of confidence in sterling.This week's data may provide a bright spot or two, although news on the inflation front on Friday is not regarded as likely to be one of them. The market may well be inclined to put Mr Lawson to the test once again by selling the pound and inviting a rise in UK base rates to 15 or even 16 per cent. To a great extent it is Mr Lawson's credibility, in the market's view, that has now been firmly pinned to keeping the pound steady.

Jonas Crosland

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of stocks per grouping	FRIDAY JUNE 9 1989 US Dollar Index	% change since Dec.30 '88	Pound Sterling Index	Local Currency Index	% change local currency since Dec.30 '88	Gross Div. Yield	THURSDAY JUNE 8 1989 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1989 High	1989 Low	Year ago (approx)
Australia (86)	130.88	-9.4	124.80	116.70	+3.7	5.04	132.16	124.57	116.87	157.12	125.28	144.39
Austria (19)	119.68	+24.7	114.11	124.65	+40.6	2.10	120.58	113.65	123.88	124.16	92.84	87.59
Belgium (63)	127.06	-5.9	121.16	131.94	+6.0	4.16	126.68	121.29	131.70	137.10	126.33	124.68
Canada (124)	141.70	+12.9	135.10	123.07	+13.4	3.32	141.80	133.65	122.95	141.80	124.87	125.02
Denmark (38)	181.72	+8.6	173.26	182.90	+21.3	1.74	181.81	171.36	190.46	181.81	165.35	132.72
Finland (26)	142.39	+8.8	135.76	132.38	+15.3	1.58	143.98	135.70	133.28	159.15	125.81	138.32
France (128)	118.34	+2.9	112.83	125.65	+15.2	3.01	119.82	112.93	126.11	122.79	112.57	93.92
West Germany (100)	84.69	-7.7	80.75	88.13	+8.6	2.31	85.76	80.83	88.16	90.40	78.56	78.10
Hong Kong (48)	84.09	-15.8	80.17	84.17	-16.0	5.73	92.09	86.80	92.16	100.33	86.41	106.35
Ireland (17)	133.94	+1.6	127.71	141.48	+14.6	2.96	136.77	128.91	142.60	151.36	125.00	136.05
Italy (97)	78.97	-7.2	75.29	85.60	+3.2	2.58	78.18	73.69	84.20	86.88	74.97	71.32
Japan (455)	172.72	-9.8	164.68	159.45	+5.4	0.50	176.14	166.01	159.60	200.11	172.72	174.43
Malaysia (36)	174.86	+21.9	166.72	182.27	+21.7	2.63	171.05	161.22	177.83	165.03	143.35	143.52
Mexico (13)	228.24	+41.0	217.62	618.26	+52.7	0.81	226.26	213.26	612.27	230.30	153.32	167.64
Netherland (42)	115.48	+2.7	110.11	118.84	+15.8	4.33	116.98	110.26	118.93	122.22	110.53	107.38
New Zealand (24)	64.23	-5.0	61.24	60.03	-5.4	6.19	64.55	60.84	60.00	76.02	63.22	82.24
Norway (26)	170.39	+22.6	162.45	167.49	+35.3	1.59	171.40	161.55	166.75	198.39	139.92	127.20
Singapore (26)	153.19	+22.5	146.06	137.80	+23.0	2.01	150.04	141.41	134.62	161.98	124.57	119.83
South Africa (60)	138.86	+18.8	132.39	126.73	+29.0	4.17	140.27	132.21	127.76	144.86	115.35	134.93
Spain (43)	145.48	-2.0	138.71	142.83	+12.1	3.53	145.72	137.34	142.18	156.17	143.14	163.48
Sweden (35)	157.69	+9.1	150.35	157.40	+20.0	2.18	159.01	149.87	156.89	162.00	138.45	123.84
Switzerland (57)	75.38	-3.5	71.87	81.32	+11.8	2.50	75.52	71.18	80.18	79.76	67.81	80.95
United Kingdom (314)	138.12	+2.1	131.69	131.69	+18.7	4.41	139.79	131.76	131.76	153.33	124.53	139.71
USA (557)	133.28	+17.8	127.07	133.28	+17.8	3.36	133.30	125.64	133.30	133.36	112.13	110.43
Europe (1005)	115.00	+0.3	109.64	115.32	+14.7	3.56	116.10	109.43	115.11	121.70	112.65	110.82
Nordic (125)	152.56	+9.2	145.46	149.42	+21.3	1.91	153.42	144.60	148.58	155.91	137.95	118.95
Pacific Basin (676)	168.18	-9.7	160.35	155.40	+6.0	0.73	171.31	161.46	155.47	194.72	168.18	170.56
Euro - Pacific (1681)	146.97	-6.8	140.13	139.36	+7.8	1.63	149.28	140.70	139.32	164.22	146.97	146.68
North America (681)	133.89	+17.4	127.46	132.65	+17.5	3.35	133.71	126.03	132.66	133.73	112.79	111.20
Europe Ex. UK (691)	100.40	-1.2	95.73	105.15	+11.4	2.91	101.17	95.36	104.80	105.29	96.30	92.89
Pacific Ex. Japan (221)	113.69	-8.6	108.56	104.90	-1.7	4.97	113.56	107.04	104.07	137.65	111.93	123.91
World Ex. US (1878)	146.76	-6.0	139.93	138.88	+8.2	1.71	148.98	140.42	138.85	162.77	146.76	145.83
World Ex. UK (2121)	141.27	+0.8	134.69	137.60	+10.4	2.07	142.66	134.46	137.48	146.04	138.06	131.42
World Ex. So. Af. (2375)	140.99	+0.9	134.42	137.02	+11.1	2.26	142.40	134.22	137.00	146.65	136.82	132.12
World Ex. Japan (1980)	126.04	+9.9	120.17	125.47	+15.8	3.49	126.46	119.19	125.37	126.50	114.51	111.86
The World Index (2435)	140.97	+0.9	134.41	136.95	+11.1	2.27	142.39	134.20	136.94	146.51	138.83	132.15

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

CONSTITUENT CHANGES: Deletions: 7/6: Hartogen Energy (Australia) Name changes: 5/6: Yamashita-Shinnihon to Navix Line (Japan) 6/6: Hoffman-La-Roche to Roche Hldgs.(Switzerland) and Gulf + Western to Paramount Comms.(US).Merger: Intl.Thomson & Thomson News. to form Thomson Corp.(Canada).

£ IN NEW YORK

June 9		Previous Close
£ Spot	1.5540-1.5550	1.5790-1.5755
1 month	0.55-0.54pm	0.54-0.54pm
3 months	1.80-1.78pm	1.78-1.78pm
12 months	6.82-6.72pm	6.85-6.72pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	June 9	Previous
8.30 am	92.2	92.3
9.00 am	92.2	92.2
10.00 am	92.2	92.2
11.00 am	92.2	92.3
Noon	92.1	92.2
1.00 pm	92.2	92.3
2.00 pm	92.0	92.2
3.00 pm	92.0	92.3
4.00 pm	92.0	92.3

CURRENCY RATES

June 9	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	1	0.791334	0.667285
U.S Dollar	7	1.24556	1.04363
Canadian $	12.39	1.49168	1.24787
Austrian Sch.	5	17.3046	14.6036
Belgian Franc	7.75	51.4510	43.4517
Danish Krone	7½	9.56839	8.07407
Deutsche Mark	4.50	2.45799	2.07454
Neth Guilder	5.50	2.76701	2.33701
French Franc	9½	8.33778	7.03670
Italian Lira	13½	1790.87	1509.88
Japanese Yen	2½	178.115	151.139
Norway Krone	8	8.90202	7.51156
Spanish Peseta	-	159.377	134.451
Swedish Krona	9½	8.28796	6.99652
Swiss Franc	4.5	2.12991	1.79870
Greek Drach.	20½	N/A	178.159
Irish Punt	-	0.91998	0.775994

*All SDR rates are for June 8

CURRENCY MOVEMENTS

June 9	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.0	-18.8
U.S Dollar	73.1	-5.9
Canadian Dollar	104.0	+0.0
Austrian Schilling	106.2	+9.6
Belgian Franc	105.5	-6.2
Danish Krone	102.4	-2.1
Deutsche Mark	112.0	+20.2
Swiss Franc	105.7	+15.7
Guilder	109.8	+13.2
French Franc	98.8	-15.7
Lira	98.3	-19.6
Yen	138.0	+69.9

Morgan Guaranty changes: average 1980-1982=100 Bank of England Index (Base Average 1985=100)**Rates are forJune 8 .

OTHER CURRENCIES

June 9	£	$
Argentina	282.25 - 285.55	182.00 - 184.00
Australia	2.0830 - 2.0855	1.3400 - 1.3410
Brazil	1.7990 - 1.8080	1.1600 - 1.1650
Finland	6.9155 - 6.9375	4.4290 - 4.4310
Greece	264.70 - 269.20	168.60 - 171.30
Hong Kong	12.1050 - 12.1320	7.7930 - 7.7980
Iran	117.50*	72.50*
Korea(Sth)	1048.50 - 1056.95	663.80 - 669.30
Kuwait	0.46690 - 0.46800	0.29650 - 0.29700
Luxembourg	65.15 - 65.25	41.90 - 42.00
Malaysia	4.1995 - 4.2115	2.7050 - 2.7060
Mexico	3838.25 - 3848.45	2475.00 - 2480.00
N. Zealand	2.7270 - 2.7320	1.7585 - 1.7615
Saudi Ar.	5.9065 - 5.9110	3.7505 - 3.7510
Singapore	3.0275 - 3.0390	1.9510 - 1.9530
S. Af (Cm)	4.3060 - 4.3275	2.7825 - 2.7840
S. Af (Fn)	6.4025 - 6.5380	4.1320 - 4.2195
Taiwan	41.15 - 41.75	26.05 - 26.10
U.A.E.	5.7835 - 5.7885	3.6720 - 3.6730

*Selling rate

EURO-CURRENCY INTEREST RATES

June 9	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	13¼-13	13⅜-13¼	13$\frac{13}{16}$-13$\frac{11}{16}$	14⅛-14	14$\frac{3}{16}$-14$\frac{1}{16}$	14$\frac{1}{16}$-13$\frac{15}{16}$
US Dollar	9⅜-9¼	9⅜-9¼	9⅜-9¼	9¼-9⅛	9$\frac{1}{16}$-8$\frac{15}{16}$	9-8⅞
Can. Dollar	13¼-13	12¾-12½	12⅝-12⅜	12¼-11⅞	12⅝-12½	11½-11⅛
D Guilder	6⅝-6½	6$\frac{11}{16}$-6$\frac{9}{16}$	6$\frac{13}{16}$-6$\frac{11}{16}$	7⅛-7	7$\frac{3}{16}$-7$\frac{1}{16}$	7⅜-7¼
Sw. Franc	6⅞-6¾	7⅛-6⅞	6¾-6⅝	7¼-7⅛	7$\frac{5}{16}$-7$\frac{3}{16}$	7¼-7
Deutschmark	6$\frac{5}{16}$-6$\frac{3}{16}$	6$\frac{5}{16}$-6$\frac{3}{16}$	6¾-6⅝	6$\frac{15}{16}$-6$\frac{13}{16}$	7$\frac{1}{16}$-6$\frac{15}{16}$	7⅛-7
Fr Franc	9$\frac{1}{16}$-8$\frac{15}{16}$	9-8⅞	9-8⅞	9$\frac{1}{16}$-8$\frac{15}{16}$	9$\frac{1}{16}$-8$\frac{15}{16}$	9⅛-9
Italian Lire	11-9	13-12	12½-12	12⅜-11⅞	12¼-11¾	12⅜-12
B. Fr (Fin)	8⅝-8⅜	8½-8⅜	8½-8⅜	8⅝-8½	8$\frac{11}{16}$-8$\frac{9}{16}$	8½-8⅜
B. Fr. (Con.)	9-8⅝	8⅝-8½	8⅝-8½	8⅝-8½	8⅝-8½	8⅝-8½
Yen	5¼-5⅛	5¼-5⅛	5¼-5⅛	5¼-5⅛	5$\frac{5}{16}$-5$\frac{3}{16}$	5$\frac{3}{8}$-5$\frac{1}{4}$
D. Krone	8⅝-8⅜	8$\frac{7}{16}$-8$\frac{5}{16}$	8⅝-8⅜	9⅜-9⅛	9⅝-9⅜	9$\frac{13}{16}$-9⅝
Asian $Sing	9$\frac{5}{16}$-9$\frac{3}{16}$	9⅝-9½	9$\frac{5}{16}$-9$\frac{3}{16}$	9⅜-9¼	9¼-9⅛	9¼-9⅛

Long term Eurodollars: two years 8$\frac{13}{16}$-8$\frac{11}{16}$ per cent; three years 8$\frac{13}{16}$-8$\frac{11}{16}$ per cent; four years 8$\frac{13}{16}$-8$\frac{11}{16}$ per cent; five years 8$\frac{13}{16}$-8$\frac{11}{16}$ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

June 9	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.555	3.112	227.0	10.550	2.705	3.507	2259	1.865	65.20
$	0.643	1	2.001	146.0	6.785	1.740	2.255	1453	1.199	41.93
DM	0.321	0.500	1	72.94	3.390	0.869	1.127	725.9	0.599	20.95
YEN	4.405	6.850	13.71	1000.	46.48	11.92	15.45	9952	8.216	287.2
F Fr.	0.948	1.474	2.950	215.2	10.	2.564	3.324	2141	1.768	61.80
S Fr.	0.370	0.575	1.150	83.92	3.900	1	1.296	835.1	0.689	24.10
H Fl.	0.285	0.443	0.887	64.73	3.008	0.771	1	644.1	0.532	18.59
Lira	0.443	0.688	1.378	100.5	4.670	1.197	1.552	1000.	0.826	28.86
C $	0.536	0.834	1.669	121.7	5.657	1.450	1.880	1211	1	34.96
B Fr.	1.534	2.385	4.773	348.2	16.18	4.149	5.379	3465	2.860	100.

Yen per 1,000: French Fr. per 10. Lira per 1,000: Belgian Fr. per 100.

POUND SPOT- FORWARD AGAINST THE POUND

June 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5490 - 1.5555	1.5545 - 1.5555	0.55-0.52cpm	4.13	1.80-1.76pm	4.58
Canada	1.8575 - 1.8790	1.8645 - 1.8655	0.23-0.12cpm	1.13	0.87-0.72pm	1.71
Netherlands	3.49½ - 3.51¼	3.50¼ - 3.51¼	1$\frac{7}{8}$-1$\frac{3}{4}$cpm	6.45	5⅞-5¼pm	6.65
Belgium	64.95 - 65.25	65.15 - 65.25	30-25cpm	5.07	90-83pm	5.32
Denmark	12.07½ - 12.14¼	12.13¼ - 12.14¼	5¼-4¼orepm	4.83	14½-13¾pm	4.65
Ireland	1.1595 - 1.1665	1.1630 - 1.1640	0.50-0.45cpm	4.90	1.45-1.35pm	4.81
W. Germany	3.10¼ - 3.11½	3.11 - 3.11½	1$\frac{7}{8}$-1$\frac{3}{4}$pfpm	6.74	5¾-5¼pm	6.84
Portugal	257.70 - 259.60	258.60 - 259.60	20-74cdis	-2.21	31-139dis	-1.34
Spain	200.35 - 201.50	200.75 - 201.05	11-24cdis	-0.89	23-41dis	-0.75
Italy	2251 - 2261¼	2258½ - 2259½	3-2lirepm	1.33	11-9pm	1.77
Norway	11.21 - 11.26¼	11.25¾ - 11.26¾	2¾-2¼orepm	2.67	7¾-7pm	2.65
France	10.52½ - 10.57	10.54½ - 10.55½	4¼-3¾cpm	4.63	13½-12¼pm	4.84
Sweden	10.44½ - 10.49	10.48 - 10.49	2¼-1¾orepm	2.13	7¼-6½pm	2.42
Japan	226 - 227½	226½ - 227½	1⅝-1½ypm	8.28	4⅞-4¾pm	8.50
Austria	21.77 - 21.89	21.86 - 21.89	11¾-11groschpm	6.35	37½-34¼pm	6.38
Switzerland	2.68¾ - 2.71	2.70 - 2.71	1$\frac{3}{8}$-1$\frac{1}{4}$cpm	6.11	4$\frac{1}{2}$-4¼pm	6.44

Belgian rate is convertible francs. Financial franc 65.40-65.50 . Six-month forward dollar 3.68-3.63cpm 12 months 6.80-6.70cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

June 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5490 - 1.5555	1.5545 - 1.5555	0.55-0.52cpm	4.13	1.80-1.76pm	4.58
Ireland†	1.3310 - 1.3535	1.3335 - 1.3345	0.10-0.15cdis	-1.12	0.04-0.14dis	-0.27
Canada	1.1945 - 1.2005	1.1990 - 1.2000	0.28-0.32cpm	3.01	0.84-0.90pm	2.91
Netherlands	2.2215 - 2.2615	2.2560 - 2.2570	0.44-0.42cpm	2.30	1.14-1.11pm	2.01
Belgium	41.30 - 42.00	41.90 - 42.00	4.00-2.50cpm	0.94	9.00-6.00pm	0.72
Denmark	7.67¼ - 7.81½	7.80¼ - 7.80¾	0.55-0.30orepm	0.66	0.35-0.05pm	0.10
W. Germany	1.9695 - 2.0080	2.0010 - 2.0020	0.45-0.42pfpm	2.63	1.15-1.11pm	2.27
Portugal	165.50 - 167.00	166.70 - 166.80	80-110cdis	-6.89	270-340dis	-7.37
Spain	128.00 - 129.70	129.55 - 129.65	70-110cdis	-6.53	235-315dis	-6.65
Italy	1436½ - 1455	1452¾ - 1453¾	3.20-3.70liredis	-2.86	10.00-10.70dis	-2.86
Norway	7.15½ - 7.24¾	7.24 - 7.24½	0.80-1.05oredis	-1.54	3.45-3.75dis	-2.00
France	6.69 - 6.80¼	6.78¼ - 6.78¾	0.25-0.20cpm	0.40	0.40-0.25pm	0.19
Sweden	6.65¾ - 6.75	6.74 - 6.74½	0.99-1.14oredis	-1.91	3.30-3.55dis	-2.04
Japan	143.40 - 146.30	146.00 - 146.10	0.50-0.48ypm	4.06	1.44-1.42pm	3.95
Austria	13.87¾ - 14.10¾	14.10¼ - 14.10¾	2.80-2.30groprm	2.20	7.10-5.60pm	1.82
Switzerland	1.7060 - 1.7490	1.7395 - 1.7405	0.32-0.29cpm	2.12	0.85-0.80pm	1.91

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 42.05-42.15.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 9) 3 months US dollars		6 months US Dollars	
bid 9⅛	offer 9¼	bid 8$\frac{15}{16}$	offer 9$\frac{1}{16}$

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKETS

Little chance of lower US rates

US INTEREST rates are unlikely to fall in the near term, according to the market's reaction to US data released on Friday. A quarter point reduction in the Federal Reserve's overnight target rate to 9¼ per cent from 9¾ per cent encouraged many speculators to push for a further reduction in US rates. However, a 0.9 per cent rise in May producer prices, released on Friday, has tended to change attitudes.

UK clearing bank base lending rate 14 per cent from May 24

Despite the proximity of the weekend, investors were keen to take up dollar positions in the hope that the US unit will move higher this week. It is hard to identify any real reason why demand for the dollar should abate. The Japanese yen and the West German D-Mark are not regarded as a good short-term investment.

In addition, the dollar's strength has prompted a rise in European rates mainly as an attempt to maintain parities within the European Monetary System. French interest rates were pushed firmer last week as the franc showed a weaker tendency against the D-Mark. The latter provides an interesting situation for the West German authorities. Economic growth for this year is expected to rise above expectations, which suggests that for domestic reasons alone, there is likely to be upward pressure on interest rates in Germany.

So unless the dollar reverses its firmer tone, most traders expect further upward pressure on European interest rates, if for no other reason than to offset the inflationary impact of a weaker currency.

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 60,054
A=Ask B=Bid C=Call P=Put

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

BASE LENDING RATES

	%		%		%
ABN Bank	14	City Merchants Bank	14	Mount Banking	14
Adam & Company	14	Clydesdale Bank	14	Nat Bk. of Kuwait	14
AAB - Allied Arab Bk	14	Comm. Bk. N. East	14	NatWestminster	14
Allied Irish Bank	14	Co-operative Bank	*14	Northern Bank Ltd	14
● Henry Ansbacher	14	Coutts & Co	14	Norwich Gen. Trust	14
Associates Cap Corp	14	Cyprus Popular Bk	14	PRIVATbanken Limited	14
Authority Bank	14	Dunbar Bank PLC	14	Provincial Bank PLC	15
● B & C Merchant Bank	14	Duncan Lawrie	14	R. Raphael & Sons	14
Bank of Baroda	14	Equatorial Bank plc	14	Roxburghe Guarantee	14½
Banco Bilbao Vizcaya	14	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
Bank Hapoalim	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Bank Credit & Comm	14	First National Bank Plc.	15	● Smith & Williamson Secs.	14
Bank of Cyprus	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank of Ireland	14	Robert Fraser & Ptnrs.	14½	TSB	14
Bank of India	14	Girobank	14	United Bk of Kuwait	14
Bank of Scotland	14	● Guinness Mahon	14	United Mizrahi Bank	14
Banque Belge Ltd	14	HFC Bank plc	14	Unity Trust Bank Plc	14
Barclays Bank	14	● Hambros Bank	14	Western Trust	14
Benchmark Bank PLC	14	Heritable & Gen Inv Bnk	14	Westpac Bank Corp.	14
Berliner Bank AG	14	● Hill Samuel	§14	Whiteaway Laidlaw	14
Brit Bk of Mid East	14	C. Hoare & Co.	14	Yorkshire Bank	14
● Brown Shipley	14	Hongkong & Shangh	14		
Business Mtge Tst	14½	● Leopold Joseph & Sons	14		
CL Bank Nederland	14	Lloyds Bank	14		
Central Capital	14	McDonnell Douglas Bnk	14		
● Charterhouse Bank	14	Meghraj Bank Ltd	14		
Citibank NA	14	Midland Bank	14		
		Mortgage Express Ltd.	‡13.75		

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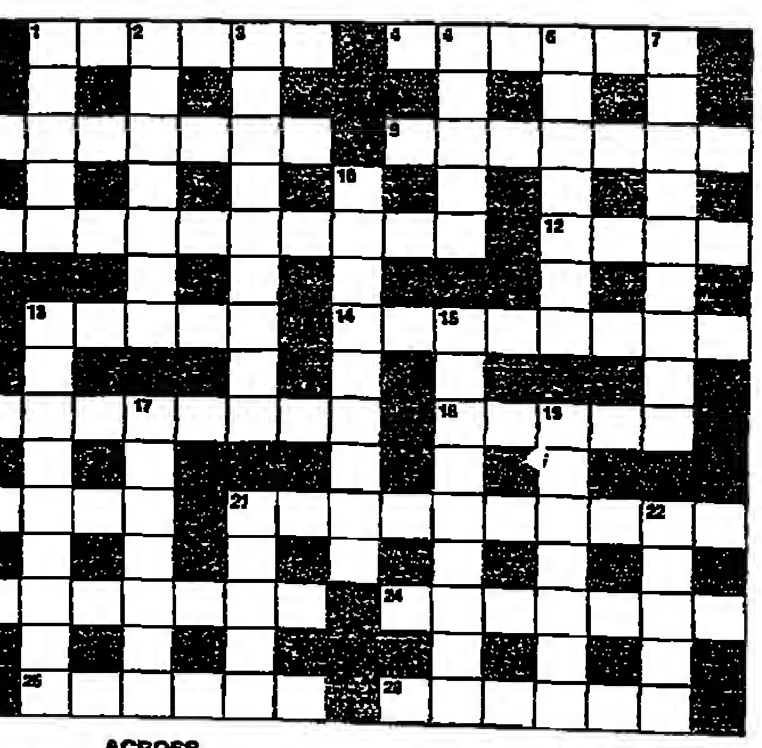
JOTTER PAD

CROSSWORD

No.6,957 Set by PROTEUS



ACROSS
1 Two men needing a sponsor (6)
4 Aim for a goal (6)
8 Girl employees get stick for spinning (7)
9 Show featuring underworld drama (7)
11 Giving orders for special duty to rating (7,3)
12 Takes over gun (4)
13 Fabulous bird looking back at soldier's dog (5)
14 Stanza, one of five, about a tar at sea (8)
16 Poetry about one Italian painter (8)
18 Exhausting expenditure on water-course (5)
20 Unit containing a hundred at one time (4)
21 Where many girls don't mind being taken before the match (2,3,5)
23 Promote a loan (7)
24 A leading performer Lawrence rated a goddess (7)
25 Playwright good at casting? (6)
26 Stick a notice at this spot (6)

DOWN
1 Charge involving chief (5)
2 One who gossips about model to magazine (7)
3 Unpleasant and offensive assault (9)
5 Short railway, that is a furlong (5)
6 He tells all on former model (7)
7 One playing sad part in train crash involving old people (9)
10 Girl searches for romantic victims (9)
18 Got rid of vice and made a lot of money (7,2)
15 Spoken to as directed (9)
17 Exceed dramatic bounds in relation to parliamentary measure (7)
19 Enliven what Disney did? (7)
21 Relative interested in the pop-scene (5)
22 Permit man to seek oblivion (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday June 24.

WORLD STOCK MARKETS

AUSTRIA

FRANCE (continued)

GERMANY (continued)

ITALY (continued)

SWEDEN

BELGIUM/LUXEMBOURG

NETHERLANDS

SWITZERLAND

DENMARK

FINLAND

NORWAY

SPAIN

SOUTH AFRICA

ITALY

GERMANY

JAPAN

AUSTRALIA (continued)

HONG KONG

AUSTRALIA

SINGAPORE

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

4pm prices June 8

MONTREAL

4pm prices June 8

Quotations in cents unless marked $

Total Sales 6,306,687 shares.

F—No voting rights or restricted voting rights.

INDICES

NEW YORK DOW JONES

	June 9	June 8	June 7	June 6	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2513.42	2516.9	2512.32	2496.32	2517.83 (2/6)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	92.23	91.83	91.89	91.68	91.89 (7/6)	87.35 (23/3)	—	—
Transport	1148.12	1145.70	1145.86	1141.33	1165.59 (26/5)	959.95 (3/1)	1165.59 (26/5/89)	12.32 (8/7/32)
Utilities	206.44	206.32	205.96	204.78	206.44 (9/6)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2533.64 (2526.55) Low 2494.85 (2499.82)

STANDARD AND POOR'S	June 9	June 8	June 7	June 6	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	326.70	326.75	326.95	324.24	326.95 (7/6)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	373.53	373.58	373.82	371.10	373.82 (7/6)	318.66 (3/11)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	31.35	31.34	31.22	30.93	31.22 (7/6)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	182.37	182.39	182.34	180.93	181.49 (2/6)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	366.16	366.08	364.41	360.84	364.41 (7/6)	305.24 (3/1)	366.16 (9/6/89)	29.31 (9/12/72)
NASDAQ OTC Comp	453.65	453.99	453.20	447.96	453.20 (7/6)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Jun 2	May 26	May 19	year ago (approx.)
Dow Industrial Div. Yield	3.51	3.38	3.35	3.58
	June 7	May 31	May 24	year ago (approx.)
S & P Industrial div. yield	2.98	3.02	3.03	2.94
S & P Indl. P/E ratio	13.75	13.53	13.46	15.35

TRADING ACTIVITY † Volume Millions

	June 9	June 8	June 7
New York	175.194	211.021	213.710
Amex	12.402	14.865	16.861
OTC	(u)	155.958	160.222

NEW YORK

	June 9	June 8	June 7
Issues Traded	1989	1987	2005
Rises	750	831	976
Falls	747	649	536
Unchanged	492	507	493
New Highs	183	220	243
New Lows	12	11	13

CANADA

TORONTO	June 9	June 8	June 7	June 6	1989 High	1989 Low
Metals & Minerals	3463.1	3475.5	3439.0	3411.5	3564.9 (6/2)	3207.5 (3/1)
Composite	3802.5	3806.1	3785.8	3757.2	3806.1 (8/6)	3350.5 (6/1)
MONTREAL Portfolio	1948.46	1941.57	1929.11	1916.31	1941.57 (8/6)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Warner Comm	3,216,000	56⅛	− ⅜	Syntex	2,346,000	54	+ 2
Usx corp	2,990,100	38	+ 1	Burling res	2,106,800	44⅛	− ⅛
Paramount	2,747,700	59⅛	+ ⅜	Benetton grp	1,721,600	14⅜	
East kodak	2,440,000	50⅜	− ⅛	Waslmere	1,533,100	15⅜	
Time	2,356,100	170¼	+ 2¼	Ibm	1,391,800	108⅛	− ⅜

Base values of all indices are 100 except NYSE All Common — 50; Standard and Poor's — 10; and Toronto Composite and Metals — 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	June 9	June 8	June 7	June 6	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1543.9	1545.4	1534.0	1523.3	1583.7 (23/5)	1412.9 (7/4)
All Mining (1/1/80)	701.9	702.0	702.9	696.3	727.0 (26/1)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	345.47	338.43	335.86	333.28	345.47 (9/6)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6128.48	6114.83	6100.36	6099.66	6128.48 (9/6)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	319.40	316.15	316.77	315.23	319.40 (9/6)	275.49 (27/2)
FINLAND						
Unitas General (1975)	809.6	808.2	807.5	818.5	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	487.9	483.9	483.4	483.3	487.9 (9/6)	417.9 (4/1)
Ind. Tendance (30/12/88)	114.3	114.2	114.0	113.8	114.5 (5/6)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	600.91	600.96	597.32	589.93	600.96 (8/6)	535.78 (27/2)
Commerzbank (1/12/53)	1783.6	1785.4	1771.8	1750.7	1785.4 (8/6)	1595.7 (27/2)
DAX (30/12/87)	1437.29	1438.73	1432.66	1413.78	1438.73 (8/6)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2268.38	(c)	2224.66	2149.71	3309.64 (15/5)	2093.61 (5/6)
ITALY						
Banca Com. Ital. (1972)	629.93	628.68	622.49	619.18	629.93 (9/6)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	33639.98	33718.29	33626.89	33452.0	34266.75 (31/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2503.41	2504.73	2487.29	2482.58	2544.60 (8/5)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl. Rtn. Gen. (End 1983)	247.7	247.5	246.3	245.8	247.7 (9/6)	208.3 (3/1)
CBS All Shr (End 1983)	192.9	192.8	191.9	191.5	192.9 (9/6)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	618.73	616.37	625.61	629.44	665.61 (19/4)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1241.21	1207.11	1226.74	1233.13	1310.02 (17/5)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1485.0§	1516.0	1534.0	1445.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2514.0§	2517.0	2521.0	2471.0	2581.0 (28/4)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	314.52	313.54	311.29	309.15	314.52 (9/6)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4053.4	4039.0	4020.0	4001.5	4053.9 (30/5)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	716.4	706.2	704.2	699.5	716.4 (9/6)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	502.8	502.0	497.8	519.0 (17/2)	491.2 (28/3)

§ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX — 1,000 JSE Gold — 255.7 JSE Industrials — 264.3 and Australia. All Ordinary and Mining — 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday June 9 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Teijin	13.3m	879	−3	Sumitomo Metal	8.8	868	−1
Toshiba	11.6m	1,410	0	Tosoh	8.8	1,010	−10
Taiyo Sanso	10.2m	1,030	0	Daihatsu Motor	7.8	1,030	+65
Mitsui Toatsu	9.9 m	1,060	+30	Kawasaki Steel	7.6	906	+1
MHI	9.2 m	1,190	+20	N. Shokubai K.K.	6.8m	2,140	+20

AMEX COMPOSITE PRICES

4pm prices June 8

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4pm prices June 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued on Page 35

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
66	51⅛	Xerox	3	4.7	18	8405	64⅝	63⅛	63⅛	−1¼
44¼	29⅜	XTRA	.72	2.1	16	135	34⅝	34	34	− ⅜
33	25	XTRA pf1.94		7.0		1	27⅝	27⅝	27⅝	+ ½
3⅞	2	Zapata				187	2⅞	2¾	2¾	
38⅝	18⅝	Zayre	.40s	1.4	187	3139	29⅝	29½	29½	− ⅛
17⅞	16⅛	Zayre wi				42	17½	17⅜	17½	
30	16½	ZenithE			1013	1982	20⅜	20	20¼	− ⅛
10½	8⅞	Zenine	1.26	13.		80	9½	9⅛	9½	+ ¼
2⅞	1	vjZenLb				328	1½	1⅜	1⅜	
21⅝	15	ZeroNtl	.84	4.6	9	784	18½	18⅛	18½	+ ⅜
21⅝	14¼	Zero	.44	2.1	16	413	21⅜	21	21	− ⅜
37⅞	19¾	Zurnin	.68	1.9	18	873	37⅞	36¼	36⅜	− ⅞
11⅛	10	Zweig	1.07e	9.6		335	11⅛	11⅛	11⅛	
10⅛	9⅛	Zweig n	.96	10.		1366	9½	9⅜	9½	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

OVER-THE-COUNTER

Nasdaq national market, 4pm prices June 8

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
Whlclub		24	938	13¾	13⅛	13⅜	− ⅛
WillyJ A	1.10	93	261	63	62	62	− ½
Willamt	1.45	7	140	44¼	43⅞	44⅛	+ ⅛
WilmTr	1.24	12	357	38½	37⅞	38½	+ ⅛
WiserO	.40	48	417	15½	15¼	15¼	− ¼
Wolohn	.28	9	11	17½	17½	17½	
WhEx h			41	6⅛	6⅛	6⅛	+ ⅛
Worthg	.48	15	1421	22¼	22⅛	22⅛	+ ⅛
Wyman	.80	69	2129	18½	18¼	18½	
			−X−Y−Z−				
XL Cte s		19	366	23¼	22½	23	
XOMA			1255	19	18⅜	18⅞	+ ⅛
Xicor		10	1040	7⅞	7½	7⅞	
YelowF	.70	11	849	27¾	27½	27⅝	
ZionUt	1.44		98	25¾	24¾	25½	
Zycad			213	3½	3⅜	3⅜	− ⅛

The Business Column

Why senior managers do not take IT seriously

A Philadelphia bank pioneered – at any rate, in that go-ahead city – car loans 24 hours a day. The service was supported by clever use of information technology.

Competitors, faced with loss of market share, were forced to respond. Those who took the *plunge before their support* systems were ready found their loan losses rising.

The original innovator pushed ahead, however, determined to keep the initiative. Eventually customers were able to take their choice of model out for a test drive and, if the car was fitted with a mobile phone, have their loan approved before returning to the showroom.

Had the limit been reached? Not at all. People are predictable and the bank learned to anticipate when a good customer would need a change of car. Then they sent them unsolicited cheques with an invitation to deposit the cash if they needed the loan.

When your bank approves your loan before you request it, points out Professor Eric Clemons of Pennsylvania University, service cannot be any faster and new avenues for competition have to be found.

He tells this story to illustrate a problem with technology-driven competitive applications. They can be copied, they cannot be defended and continuing to derive advantage from them requires constant improvement.

It also helps to explain a phenomenon at the heart of many people's concern over the future of British business: why information technology, apparently the most powerful force for competitive advantage available today, is still a no-go area for most senior managers.

Almost two decades after Intel changed the world with the invention of the microprocessor, Mr John Banham, director general of the Confederation of British Industry, still has to complain that unless firms start to plan a comprehensive information technology strategy *for the single* European market, they will be in deep trouble after 1992.

More than mere technophobia

The fact that so few have started such preparations is more than mere technophobia. It is hard to avoid the conclusion that, no matter how great the lip service paid to IT, most senior managers remain deeply sceptical of the promised *advantages of investment* in technology for competitive advantage.

And with some justification. Prof Clemons himself says insupportable expectations for the competitive benefits of IT were raised among data processing professionals.

The business school academics, furthermore, have gone through several sets of hypotheses in their attempts to place investment in IT on a firm foundation. The idea of building sustainable competitive advantage, for example, was replaced by the notion of investment as a strategic necessity, when research showed it was difficult, if not impossible, to identify any company which had held its lead over a period of time.

Now Prof Clemons – whose research is focused on the financial services business – is developing the idea of sustainable co-operative advantage, where collaboration between companies can cut the *cost of developing strategically* necessary systems. An example is the way the UK banks have got together to fund the development and implementation of a national electronic cashless shopping network, Eftpos UK. They will continue to compete for customers but share a common payment transmission and clearance service.

In other words, a lot of what is regarded as competitive edge technology these days – value added networks or electronic mail, for example – is no more than the essential technological infrastructure of *tomorrow's* business world.

Best by far to join hands to share the costs and headaches of implementing these basic systems, Prof Clemons argues, leaving firms free to compete by developing their individual *strengths* – which, he points out, are a company's real competitive assets.

Alan Cane

THE MONDAY INTERVIEW

Steering amid shoals of race and party

Anthony Robinson talks to F.W. de Klerk, leader of South Africa's ruling National Party

South Africa's future President, Mr Frederik Willem (F.W.) de Klerk, who visits London later this month, may turn out to be the man who guides his country into a post-apartheid future. But there is little in his past to indicate that the apparently straightforward reformist words uttered in recent weeks mean quite what they seem to those unversed in Pretoria's coded political lexicon.

For the last seven years Mr de Klerk's sights have been fixed primarily on the Transvaal, the Afrikaner heartland, where, as provincial party boss, his overwhelming priority was to persuade wavering Afrikaners that the National Party was not going to take *reform to the point of endangering* either their present or their future. As a party leader with general elections in three *months'* time this must remain his top priority even as he sets off for London and then Washington to drum up foreign support for Pretoria's brand of reform.

Sitting in his office in the government tower block next to parliament in Cape Town, Mr de Klerk *says bluntly*: "Our goal is a totally new South Africa free of oppression and domination." It was just this sort of phrase which caught the attention of Mrs Thatcher and others looking for signs of change when first included in speeches by Mr de Klerk after he emerged as new *leader of* the National Party in February. The difficulty is that similar words were used by Dr *Hendrik Verwoerd and his acolytes* in the 1960s when they embarked on the ruthless experiment in social engineering called apartheid.

The whole process of forcibly removing millions of black South Africans into segregated living areas and ethnic homelands was promoted as a policy designed to give new independence and self-expression to South Africa's non-white "nations." Under Mr P.W. Botha's decade-long rule important changes have taken place in NP policy and much apartheid legislation, including the pass laws, has been scrapped. But the homelands are an apartheid-created reality which remain an integral part of contemporary South Africa, and ethnicity remains the underlying basis for the Population Registration Act, the Group Areas Act and other apartheid laws still on the statute book.

So what does Mr de Klerk mean by a "totally new South Africa" and how does he view the continuing existence of group or ethnic distinctions in South African society? "We *regard groups as building* blocks for power-sharing and working together," he says. It is the sort of orthodox response for which Mr de Klerk, the party boss, is well known at home. But, he adds: "We in the National Party have committed ourselves to bringing all South *Africans into the decision-making* process at all levels of government on a basis which will prevent group domination and avoid the typical consequences of majority rule."

In the political vocabulary of the countries Mr de Klerk is about to visit democracy is what comes to mind as a typical consequence of majority rule. But that is not what Mr de Klerk has in mind in the *specific case of a multi-racial*, multi-cultural country like South Africa, with its enormous contrasts between its third and first world components. In such a society he says: "Diversity manifests itself in a number of minority groups who have a need for protection."

Mr de Klerk describes himself as a South African, an Afrikaner and a Christian. As *an Afrikaner*, the minority group he is most concerned with is the largest of South Africa's white tribes. Afrikaners have been in Africa for over three centuries, have evolved their own language and culture and it is they, above all, who have to be convinced that they have a long-term future in any new political system which replaces the current Afrikaner hegemony. But Mr de Klerk argues that South Africa's other minorities also have a vital interest in ensuring that any future political system has built-in guarantees to prevent them being dominated by the majority. "If you create a situation where minorities feel secure, *you will have created* the atmosphere in which they are prepared to take the plunge with regard to power sharing."

Mr de Klerk, a 53-year-old lawyer from a distinguished Afrikaner political family, has been described by Mrs Thatcher as the pragmatic new leader of the post-apartheid generation. His domestic critics, however, tend to see him rather as the leader of the neo-apartheid generation. His "verligte" (enlightened or liberal) elder brother Willem "Wimpie" de Klerk, for example, does not expect any dramatic departures *from his* brother's strongly held views on group rights. Despite this scepticism, however, "Wimpie" recently *angered Afrikaner dissidents* by opting out of the newly formed Democratic Party and advising fellow Afrikaners to "give F.W. a chance."

Top businessmen and political associates describe "F.W." as a man who seeks to defuse crisis situations rather than confront them head-on. He brings a fine lawyer's mind to the task and is a good listener. He is personally modest and *untainted by the corruption* scandals of recent years. His style is in marked contrast to the finger-wagging, domineering approach of his predecessor, *President P W Botha*.

He is nervous about giving interviews prior to an election, does not want to discuss or be compared with his former leader and will not comment on the fate of Mr Nelson Mandela, the jailed African National Congress leader. The strain of the last few months of political in-fighting shows in the lines around his eyes and in his heavy smoking.

Married with three children, and keen on golf for relaxation, Mr de Klerk is a religious man, a member of a small breakaway branch of the Dutch Reformed Church whose members are called "Doppers". He remembers being advised by his father, a former leader of the Senate, that politics is a calling, a duty, rather than a profession and adds: "It is not easy running a country like *ours, but someone has got to* do it." His words echo the Calvinistic sense of duty which gives strength to many Afrikaners.

As for the task ahead he says: "My immediate priority is to improve the climate for negotiations and then get them going." He made a good start last month by travelling to Durban for talks with the Zulu Chief, Mangosuthu Buthelezi, *who as leader of the biggest* ethnic group in the country, is vital to any future negotiated settlement.

While insisting on the need for homemade solutions, Mr de Klerk calls for greater foreign understanding of the reform process and South Africa's complexities. Pointing to the National Party's recent reformist record, the end of the war in Angola, impending independence for Namibia and better relations with the African front-line states he says: "I agree with foreign bankers and *businessmen who come here*, see the situation for themselves and say that South Africa deserves more understanding and recognition internationally." He has no doubts that "sanctions and disinvestment retard reform."

Faced with a declining gold price and the need to repay foreign debt, he says: "South Africa needs support and involvement, especially in the *areas of trade and in our sincere* quest for a fairer dispensation for all."

He answers critics of his party's group-based approach to politics by arguing that "diversity will remain a powerful force which must be reckoned with," and insists: "The National Party is not ideologically obsessed by the group concept." The man who told his fellow Afrikaners to "think *with your brain cells not your* blood cells" during a televised debate with Dr Andries Treurnicht, his right-wing Conservative Party rival, attacks the CP for racist policies which could lead to revolution. But he also dismisses what he sees as the utopianism of the Democratic Party and says its "lip-service to a non-racial society is nonsense."

During the interview, Mr de Klerk quoted frequently from a recent government-appointed law commission report which calls for a bill of rights and the abolition of all remaining apartheid laws – including the present constitution with its provision for three racially segregated houses and total exclusion of blacks.

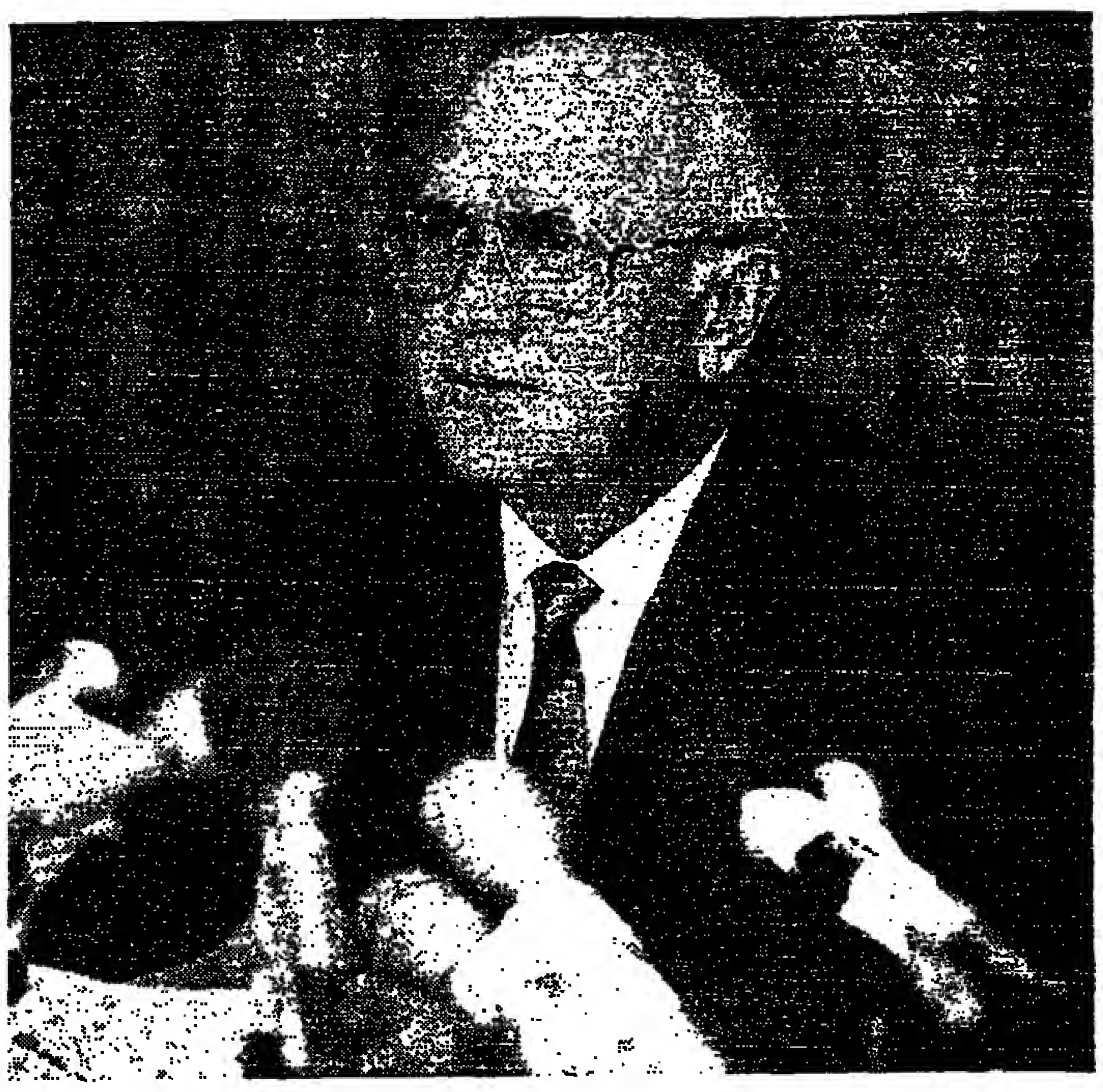
The way forward, he believes, lies in respect for a mixture of group and individual rights. He pointed to the commission's findings that "protection of minorities in this country is essential, since *to ignore the rights of minority* groups would be to invite endless conflict."

The commission called for "a negotiated bill of rights which should be approved by the entire nation, regardless of race and colour." Mr de Klerk concludes: "I have committed myself to such negotiations and also to expedite the process."

At this stage, with elections *looming* and *President Botha* still hovering in the background, what this actually means remains to be spelt out. But the moderate black leaders Mr de Klerk wants to entice around a table have their own minimum preconditions: the release of Mr Mandela and other jailed leaders and the unbanning of the organisations they represent. And Mr de Klerk knows this as well as anyone.

PERSONAL FILE

1936-58 Born Johannesburg; educated Potchefstroom University
1961 Opened legal practice in Vereeniging
1972 Entered parliament after *winning by-election in* Vereeniging
1977 Entered Cabinet as Minister of PTT
1982 Took over as Transvaal party boss from Conservative Party defector Andries Treurnicht
1984 Minister of Home Affairs and National Education
1989 Elected National Party leader



'It is not easy running a country like ours'

Time to give the dockers priority

JUSTINIAN

In granting the Transport & General Workers Union leave to appeal to the House of Lords in the dispute over the scheme for registered dockworkers, the Court of Appeal last Tuesday acknowledged three things that reflect contemporary problems in the legal system.

First, whether the dockers' trade union should be restrained from implementing the decision of a majority of balloted, registered dockworkers *to take strike action* raises legal issues of great public importance. Second, the three Lords Justices of Appeal recognise that their reversal of Mr Justice Millet's decision not to grant the dock employers an interlocutory injunction was arguably wrong and ought in any event to be scrutinised by the court of last resort. Third, the case was palpably one for urgent judicial attention; the Court of Appeal itself had dealt with the appeal urgently, since the period of four weeks within which the strike had to be called in order that the trade union could gain the protection afforded by the law, expires the day after tomorrow.

With that background to the case and the imminent threat by dockers to take unofficial strike action, one could confidently expect that the House of Lords would be assiduous in accommodating the TGWU's appeal. Courts, with justification, are always keen to point to their ability to move speedily whenever the circumstances demand it. They wish, not unnaturally, to counter the *argument that the law's delays* are one of the things for which the public upbraids the legal system. Yet last week the Law Lords were unable instantly to drop other pressing business and entertain the dockers' appeal.

Instead, for three days, three Law Lords sat to hear their self-instituted contempt proceedings against the Observer, Lonrho and six named individuals in respect of the special mid-week 16-page edition of the Sunday newspaper on March 30, revealing the contents of the Department of Trade and Industry's inspectors' report on the enquiry into the acquisition of the House of Fraser by the Al Fayed brothers.

Whether the DTI inspectors' report, the publication of which by the Observer was the very subject matter of proceedings then pending before the House of Lords, is indeed a contempt of court, is highly arguable. The three Law Lords are currently being asked to throw the case out as giving no *rise to any possible contempt* (since Mr John Laws, the standing counsel for government departments, is appearing not as a prosecutor but merely as the presenter of the case in order to assist the three judges, there will be no one to whom the alleged contemnors *can look for their already* substantial legal cost if they successfully resist the charge of contempt).

Is it not still time to adjourn the contempt proceedings, which by no stretch of the imagination could be described as pressing business for the court, and immediately turn attention to hearing the dockers' appeal? Perhaps counsel *for the Observer might today* positively suggest such a move. It would do much to remedy a public feeling that the law *has got its priorities* a little adrift. After all, contempt proceedings which are initiated, not by the Attorney General *(the normal vehicle for* launching such proceedings), but by the courts themselves seeking to preserve the purity of the administration of justice look a little like a case of *amour propre*. When judges are resisting some of the more extreme proposals from the Lord Chancellor for reform of the legal profession is not the time to be advancing a cause in which the public does not feel any particular kinship with the judges.

The acknowledgement by the Court of Appeal *that it may* have got it wrong impels an expedited review of that decision, affecting as it does an acute issue of labour law. In essence, the court weighs the countervailing arguments for preserving the position of work in the docks as usual or permitting the strike to go ahead, and came down ultimately on the side of the employers. Two factors outweigh the trade union's *plea to implement* its balloted vote in favour of strike action. The employers would undoubtedly suffer heavy financial losses if the strike went ahead. But that is an inevitable consequence of the withdrawal of labour in any enterprise. And the fact is that unofficial strike action may be just as devastating, and may also make it infinitely more difficult for the legalists *in the trade union movement* to contain their members from flouting the law, and make future successful bargaining between management and labour less readily attainable. These factors likewise are relevant to the other consideration that led the courts to grant the *injunction. The damage to the* public interest which a national dock strike would be bound to cause cannot be gainsaid. But for the courts to invoke the public interest in aid of outlawing official strike action is, apart from questions of principle, to diminish seriously the valuable right of the individual in a democratic society to withdraw his or her labour. And the more important the industry so the greater would be the diminution in the weapon of strike action.

If and when the House of Lords comes to adjudicate in the dockers' case it is likely that the public interest element will play a significantly *lesser part in the judicial rationale* of the legal issues. The public interest lies in the statutory framework of union law *and the extra-legal methods of* resolving trade union issues. Courts are hardly the appropriate fora for such delicate problems *of industrial relations*. The courts' reason for its decision should contain only those elements absolutely necessary to adjudicate fairly on the legal issues before them.